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Forest Management **2012 Annual audit**

Report for:

Canadian Forest Products Ltd.

In

Cranbrook, British Columbia,
Canada

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Standard Conversions

1 mbf = 5.1 m³
 1 cord = 2.55 m³
 1 gallon (US) = 3.78541 liters

 1 inch = 2.54 cm
 1 foot = 0.3048 m
 1 yard = 0.9144 m
 1 mile = 1.60934 km
 1 acre = 0.404687 hectares

 1 pound = 0.4536 kg
 1 US ton = 907.185 kg
 1 UK ton = 1016.047 kg

1. INTRODUCTION

The purpose of this report is to document annual audit conformance of Canadian Forest Products Ltd., East Kootenays, hereafter referred to as Canfor. The report presents the findings of Rainforest Alliance auditors who have evaluated company systems and performance against the Forest Stewardship Council™ (FSC®) forest management standards and policies. Section 2 of this report provides the audit conclusions and any necessary follow-up actions by the company through nonconformity reports.

The Rainforest Alliance (RA) founded its previous SmartWood program in 1989 to certify responsible forestry practices and has grown to provide a variety of auditing services. Rainforest Alliance certification and auditing services are managed and implemented within its RA-Cert Division. All related personnel responsible for audit design, evaluation, and certification/verification/validation decisions are under the purview of the RA-Cert Division, hereafter referred to as Rainforest Alliance or RA.

This report includes information which will become public information. Sections 1-3 and Appendix I will be posted on the FSC website according to FSC requirements. All appendices will remain confidential. A copy of the public summary of this report can be obtained on the FSC website at <http://info.fsc.org/>.

Dispute resolution: If Rainforest Alliance clients encounter organizations or individuals having concerns or comments about Rainforest Alliance and our services, these parties are strongly encouraged to contact Rainforest Alliance regional or Headquarters offices directly (see contact information on report cover). Formal complaints or concerns should be sent in writing.

2. AUDIT FINDINGS AND RESULTS

2.1. Audit conclusion

Based on Company's conformance with FSC and Rainforest Alliance requirements, the audit team makes the following recommendation:	
<input checked="" type="checkbox"/>	Certification requirements <u>met</u>, certificate maintenance recommended Upon acceptance of NCRs as below
<input type="checkbox"/>	Certification requirements <u>not met</u>:
Additional comments:	
Issues identified as controversial or hard to evaluate.	

2.2. Changes in FMEs' forest management and associated effects on conformance to standard requirements

On March 23, 2012, Canfor's acquisition of Tembec was completed. This acquisition included:

- The Cranbrook, Elko and Sparwood operations of FL A19040 in the Cranbrook TSA;
- The Creston operations of FL A20212 (including NRFL A80321) in the Kootenay Lake TSA;
- The Canal Flats operations of FL A18978 in the Invermere Timber Supply Area;
- Managed Forest 72 in the Invermere Timber Supply Area; and
- Tree Farm Licence 14 near Parson.

The licenced area previously included in the Tembec certificate did not change. The Elko and Canal Flats sawmills were also part of the acquisition. Tembec retained ownership of the Skookumchuk pulp mill.

Over the past number of months since the acquisition, Canfor has been busy implementing priority identified systems. This has included the Occupational Health and Safety program (OH&S), general business systems, mapping systems, public participation tracking systems, and filling key training gaps. The transition to other systems will continue in the coming months.

The Sustainable Forest Management Plan previously developed by Tembec has been extended until October 2012, and will likely receive another extension while one management plan that covers the whole of the east Kootenays (including Radium) is developed. At the time of the audit, operational practices therefore had not changed from that of previous years, including all practices required to meet the FSC BC Standard (environmental and social).

2.3 Excision of areas from the scope of certificate

Not applicable. Check this box if the FME has not excised areas from the FMU(s) included in the certificate scope as defined by FSC-POL-20-003. *(delete the rows below if not applicable)*

2.4. Issues Raised by Interested Parties *(complaints/disputes raised by interested parties to FME or Rainforest Alliance since previous evaluation)*

No concerns were brought to the attention of the audit team in writing, ahead of the annual audit. However, as part of the audit team's outreach with interested parties, several concerns were raised with the team. A summary of the issues raised as well as the audit team response is included below.

Several interested parties were also interviewed by the audit team as follow up to Notes written by previous audit teams. These comments are included in Section 2.8 Notes From Previous Audits. Additionally, interested parties were interviewed by the audit team as follow up to complaints that were made to Canfor within the past year. These comments are included in Section 3.6 Review of FME Documentation and Required Records.

FSC Principle	Comments from interested parties	Audit team response
P4: Community Relations & Workers' Rights	Interested parties expressed concern about safety issues that might arise as a result of the change over to cut-to-length (short log) hauling. Issues relate to the increased weight of the trailers, how they "track" on the road, and road conditions.	The audit team reviewed evidence that Canfor has assessed the risks associated with short log hauling and has communicated these risks to contractors at safety meetings. New Transportation Safety Procedures have been developed, effective June 1, 2012. At the time of the audit, contractors were still transitioning to this new practice. Note to Future Audits 01/12 has been written to check on safety statistics once this practice has been in place for a period of time.
	Interested parties expressed concern about the extra responsibility that contractors will face when assigned "prime contractor" status. Issues relate to whether workers will receive adequate supervision, and whether safety programs will be fully implemented.	The audit team reviewed Canfor's OH&S program, including the contractor safety guidelines and the contractor safety standards checklist. There is a requirement for Canfor staff to monitor contractors for compliance with legislation and Canfor safety policies and procedures. While contractors requirements are in place, there is evidence as summarized in a WorkSafe investigation report that one contractor had a safety program that was not fully implemented. This issue arose under Tembec's ownership in 2010, however the WorkSafe report was released during this current audit period. NCR 02/12 has been issued.
P6: Environmental Impacts	An interested party expressed a concern that the sale of the Tembec operations to Canfor might result in reduced corporate support for the environmental measures (wildlife management, HCVFs) that Tembec put in place to meet FSC certification requirements. The person was concerned that Canfor's centralized and standardized operational procedures might put pressure on field staff to change the operational practices in this certified area in order to conform to Canfor policy or to reduce cost.	Canfor has told the audit team that it is fully committed to meeting all the FSC requirements. Canfor indicated that it would remind staff that there is a corporate commitment to fully meet FSC requirements. In any situations where staff feel there is an inconsistency between past Tembec operating procedures in the certified area and Canfor policy or procedures, staff will be advised that all plans and practices need to continue to meet all FSC requirements.

FSC Principle	Comments from interested parties	Audit team response
	<p>An interested party expressed that access management is the biggest remaining environmental issue in the East Kootenays (EK) and that Canfor does not do enough in the way of gates, barriers, closing roads etc to prevent access to high value areas. The party further said the access closures and the laws on illegal vehicles are good, but enforcement is very light – so physical barriers would be better.</p>	<p>The team agrees that access management is a significant management concern and that Canfor has to implement measures to meet Indicator 6.3.12. However, as reported in past annual audits and assessments and in Appendix IV, Canfor is diligent in closing roads and developing plans that limit the number of access roads. Gates are installed and maintained on several important road systems. However road access is required in many areas for fire protection and silvicultural needs. Canfor meets the requirements of Indicator 6.3.12.</p> <p>NCR 01/12 addresses the need for Canfor to implement measures to ensure that staff routinely report potential illegal vehicle use. This is required to meet Indicator 1.5.1.</p>
<p>P9: High Conservation Value Forests</p>	<p>An interested party expressed concern that an HCVF in the upper White River watershed was logged in 2010 without implementing the appropriate management strategies and without consultation.</p>	<p>The area where the HCVF is located in the upper White River watershed was transferred from the FSC certified Tembec operating area to the Canfor Radium division in 2010. The area was removed from the certified area in 2010. Thus, the area was outside the certified area at the time of logging and HCVF management strategies were not required to be followed. The Canfor division was aware of the HCVF designation but reported that the area was a major forest health issue and logging was required to address a serious outbreak of spruce bark beetle.</p>

2.5. Conformance with applicable nonconformity reports

The section below describes the activities of the certificate holder to address each applicable non-conformity report (NCR) issued during previous evaluations. For each NCR a finding is presented along with a description of its current status using the following categories. Failure to meet NCRs will result in nonconformances being upgraded from minor to major status with conformance required within 3 months with risk of suspension or termination of the Rainforest Alliance certificate if Major NCRs are not met. The following classification is used to indicate the status of the NCR:

Status Categories	Explanation
Closed	Operation has successfully met the NCR.
Open	Operation has either <u>not met</u> or has <u>partially met</u> the NCR.

Check if N/A (there are no open NCRs to review)

2.6. New nonconformity reports issued as a result of this audit

Two new nonconformity reports (NCRs) are issued as a result of this audit.

NCR#:	01/12	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standards – October 2005. Indicator 1.5.1			
Report Section:	Appendix IV: Forest management standard conformance, Criterion 1.5			
Description of Nonconformance and Related Evidence:				
There does not appear to be any Canfor operational guidance to staff that requires the reporting of encounters with motorized vehicles that are in areas that are closed to un-permitted vehicle use for any purpose within the DFA. The Tembec Nonconformity & Corrective and Preventive Action SOP (Tembec BCF-F452.01– v. 5 rev Sept 2009) does not address illegal activities. Based on the comments from all parties, it appears very likely that there are encounters with illegal vehicles in Access Management Areas that Canfor staff do not report to the appropriate authorities.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):				

NCR#:	02/12	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standards – October 2005. Indicator 4.2.1			
Report Section:	Section 2.4 and 2.8 (Note 04/10)			
Description of Nonconformance and Related Evidence:				
In January 2010, there was a fatality of a truck driver. The WorkSafe BC investigation report was completed on September 9, 2011. The report outlines the nature of the incident and the findings of the investigator. The report notes that several standard and best safety practices were not followed by the worker. The investigation included a review of the employer's (a Tembec contractor) safety systems and noted that while a safety program existed, there was evidence that the program was not functioning. The FSC-BC Standard requires that the manager (Canfor) can demonstrate that a safety program has been developed and implemented for all forest workers, which includes contractors and their employees.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate			

	conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	By the next annual audit
Evidence Provided by Organization:	PENDING
Findings for Evaluation of Evidence:	PENDING
NCR Status:	OPEN
Comments (optional):	

2.7. Audit observations

Observations can be raised when issues or the early stages of a problem are identified which does not of itself constitute a nonconformance, but which the auditor considers may lead to a future nonconformance if not addressed by the client. An observation may be a warning signal on a particular issue that, if not addressed, could turn into a NCR in the future (or a pre-condition or condition during a 5 year re-assessment).

Three new Observations are issued as a result of this audit.

OBS 01/12	Reference Standard & Requirement: FSC-BC Regional Standards – October 2005. Indicator 4.4.3
Description of findings leading to observation: Canfor has received several concerns about the negative effects of dust from logging roads on residential properties. The issue of dust control is one that residents report is a repeated concern year after year. There is evidence that Canfor addresses dust when the issue is raised, but addressing dust control in areas that weren't planned for treatment can delay the mitigation of residents' concerns.	
Observation: Canfor should work with directly affected parties to address their ongoing concerns with dust.	

OBS 02/12	Reference Standard & Requirement: Indicator 6.3.9
Description of findings leading to observation: Findings of conformance with Indicator 6.3.9 are based on an analysis of plans and on the planned retention levels and wildlife tree patches. Field observations indicate the number of trees actually retained is highly variable, depending on the original stand, and on the way in which the prescription for tree retention is written in the site plan. There is no actual measurement, post-harvest, of what actually remains on site following logging. Visual estimates indicate that the number of trees retained, within harvested areas, and within the patches and reserves within the cutblocks easily exceeds the minimum requirements of Indicator 6.3.9. However there is an absence of data to confirm these estimates.	
Observation: Canfor should measure the retention of dominant and co-dominant green trees and snags in a representative sample of blocks including different biogeoclimate subzones, harvest methods (cable and conventional) and silvicultural systems (clearcut and clearcut with reserves).	

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OBS CoC 03/12	Reference Standard & Requirement: FM-35 SmartWood Chain-of-Custody Standard for Forest Management Enterprises, 5.3
<p>Description of findings leading to observation: Canfor has two documented control systems related to chain-of-custody: the Canfor FSC Chain of Custody Documented Control System used by the CoC Multi-site Coordinator; and the Canfor Corporate Office FSC Trademarks Use Documented Control System which applies to the corporate office, participating sites and Canfor marketing departments.</p> <p>Both documents reference procedures related to the maintenance of trademark approval documentation. However, the corporate office DCS includes greater detail than the CoC DCS, for example, specification of how long documents must be kept. During the audit, it was found that the CoC DCS was well known, but the corporate DCS was not readily known about by all staff. Therefore, there is an opportunity to ensure consistency in the level of detail between the two documents.</p>	
<p>Observation Canfor should include the same level of detail in the CoC DCS as is found in the corporate office trademark use DCS.</p>	

2.8. Notes from Previous Audits

Notes for Future Audits are recorded for the benefit of future audit teams. They are items that were not fully addressed in this audit/assessment and do not constitute non-conformance. They warrant monitoring by future audit teams.

Nine Notes for Future Audits were included in this audit. All were reviewed and six were closed. Three are carried over to the next annual audit in Section 2.9 below.

Note 09/09	Reference Standard: FSC BC-Regional Standard (Oct. 2005) Indicator 6.5.7
<p>Note: The next annual audit should consider whether road inspections and maintenance activities are adequate to identify and address the maintenance needs.</p>	
<p><input checked="" type="checkbox"/> Closed <input type="checkbox"/> Followed-up but still open <input type="checkbox"/> Not followed-up this year</p>	
<p>2010 audit team response: Tembec routinely assesses the condition of the roads that have current logging activity by using the roads and getting feedback from the logging contractors. Any issues are dealt with while the logging is active. When the contractor leaves the site after harvesting is finished, the contractor is responsible for ensuring that the roads are in good condition, deactivated if needed, ditches cleaned etc. Tembec will inspect the condition of the roads once the activity is finished.</p> <p>Due to the potential environmental and safety aspect of poorly maintained roads, this Note is being left open. Subsequent field reviews conducted during annual audits should report on the level of maintenance on a year-by-year basis.</p>	
<p>2011 audit team response: Since the last annual audit Tembec has continued to implement and expand their Road Patrol and Maintenance Plan. Tembec presented the audit team with the 2011 Road Patrol and Maintenance Plan as well as a Road Rehabilitation Summary. Tembec management staff recognized that budgets have been constrained for some discretionary road maintenance activities such as brushing, but that budgets have been increased for these activities.</p> <p>The audit team continued to hear concerns from stakeholders, some contractors and staff about the conditions of roads. During field visits the audit team found that while roads that are not actively used for harvesting are in 'rough' shape, they appear to be adequately maintained from a water management</p>	

perspective. The audit team did find one minor instance of sluffing that was of potential concern and one blocked culvert that was not of concern. In addition, there were 11 landslides recorded in the EMS system in the spring 2011. One event in Russell Creek within the community of Kitchener's community watershed is being investigated by the MFLNRO. However, the audit team is aware that spring 2011 was an above-average rainfall year and that Tembec appeared to have taken reasonable measures to protect watercourses.

MFLNRO staff responsible for roads in all of Tembec's operating areas within TSAs confirmed that Tembec's road maintenance is generally adequate.

In addition, the audit team explored safety as it relates to road maintenance and there have been no safety incidents (including near misses) that list road condition as a root cause, thus there is no non-conformance in Indicator 4.2.2.

Due to the high number of concerns the audit team heard, the current level of road maintenance and the spring 2011 landslides, particularly the event in Peterson/Russell Creek, this Note remains open to be reviewed again in the third annual audit.

2012 audit team response: The team reviewed 11 cutblocks logged between 2010 and 2012 and at least 50 kilometers of roads accessing these blocks in the field in 5 different watersheds. In all cases roads were passable, with minimal evidence of surface erosion on the road surface. Ditches and culverts were all functioning and there was very little evidence of ditch erosion, road washouts or sedimentation into streams. As noted in the 2011 Note, the roads are "rough" but maintenance is adequate from a water management perspective. One situation of erosion from a cutbank, and movement of sediment in a ditch was noted at a bridge across Todhunter creek (CP 549, block 152), and an over-steep landing perched above a small stream was noted in CP 549, block 157. Both of these situations are in blocks logged within the last 12 months and both are scheduled for road de-activation measures this fall.

All skid trails and yarder trails in the recent blocks were de-commissioned and rehabilitated at the time of logging. Spur roads within the blocks are scheduled for deactivation when silviculture work is complete and landings are burned.

The practices observed meet Indicator 6.5.7. The Note is closed.

Note 03/10	Reference Standard: FSC BC-Regional Standard (Oct. 2005) Indicator 3.1.4, Criteria 3.2 and 3.3	
Note for Future Annual Audits: Review communications between the Métis Nation of British Columbia and Tembec to see how Tembec addresses interests identified by the MNBC.		
<input checked="" type="checkbox"/> Closed	<input type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
2011 audit team response: Not followed up this year.		
2012 audit team response: The Rainforest Alliance has reviewed how Principle 3 should be interpreted in regards to Métis rights across BC and Canada broadly. As a result of this review, and upon further reflection of the wording of the indicators of Principle 3 in the FSC-BC Standard and the definitions of Indigenous People and First Nations in the Standard, RA has found that it was in error in requiring outreach by a forest company under Principle 3 of the BC Standard. Specifically, the BC Standard defines Indigenous peoples as "the existing descendants of the peoples who inhabited the present territory of a country wholly or partially at the time when persons of a different culture or ethnic origin arrived there from other parts of the world...In the BC context First Nation(s) refers to indigenous peoples." Principle 3 very clearly refers to First Nations throughout the entirety of the text. RA's interpretation is that, in BC, this definition excludes Métis. Métis rights will still be recognized by RA under Principle 2, Criterion 2.2 and 2.3. Of note, this approach differs from that of the National Boreal Standard and Maritimes Standard, in which FSC has determined that Métis rights are clearly relevant.		
Based on this interpretation, this Note is no longer applicable and has been closed.		

Note 04/10	Reference Standard: FSC BC-Regional Standard (Oct. 2005) Indicator 4.2.2
Note for Future Annual Audits: Review the findings and recommendations in the WorkSafe BC report, regarding the January 2010 fatality.	
<input checked="" type="checkbox"/> Closed	<input type="checkbox"/> Followed-up but still open <input type="checkbox"/> Not followed-up this year
2011 audit team response: The 2010 fatality WorkSafe BC report is still not released.	
2012 audit team response: The WorkSafe BC report was completed on September 9, 2011. The report outlines the nature of the incident and the findings of the investigator. The report notes that several standard and best safety practices were not followed by the worker. The investigation included a review of the employer's (a Tembec contractor) safety systems and noted that while a safety program existed, there was evidence that the program was not functioning. The FSC-BC Standard requires that the manager (Canfor) can demonstrate that a safety program has been developed and implemented for all forest workers, which includes contractors and their employees. NCR 02/12 has been issued.	

Note 05/10	Reference Standard: FSC BC-Regional Standard (Oct. 2005) Indicator 9.3.2b
Note for Future Annual Audits: Once the non-compliance issue regarding motorized use in HCVF 1113 has been resolved check to see that Tembec has investigated, with the MoFR, opportunities for access control measures that are consistent with the management strategy for HCVF 1113 and other tenure holder rights.	
<input type="checkbox"/> Closed	<input checked="" type="checkbox"/> Followed-up but still open <input type="checkbox"/> Not followed-up this year
2011 audit team response: The MFLNRO has not completed its investigation so this note remains open.	
2012 audit team response: The MFLNRO advised by e-mail that they have not yet completed this investigation. They have looked at the area with a biologist and are going to meet with the person who upgraded the trail. The Note remains open.	

Note 01/11	Reference Standard: FSC BC-Regional Standard (Oct. 2005) Indicator 2.2.2
Note: Future audit teams should assess whether Tembec has implemented forest management practices as agreed to with the trapper in East Lussier Creek.	
<input type="checkbox"/> Closed	<input checked="" type="checkbox"/> Followed-up but still open <input type="checkbox"/> Not followed-up this year
2012 audit team response: The audit team spoke with staff who summarized that the trapper was seeking to have access maintained to the trapline. Tembec committed to not deter access to the trapline. The audit team also spoke with the trapper who expressed concern about the piles of log butts left on the main road going into the Top of the World, and questioned whether the piles would be burned. The trapper also expressed an interest in having a log put across the Lussier creek to replace the bridge that was removed.	
Canfor reported that part of the post-harvest reclamation has been done, but the full reclamation will not be complete until later this Fall. This Note remains open so the next audit team can review the completed reclamation activities and talk with the trapper to determine if the management practices were implemented as discussed between the parties.	

Note 02/11	Reference Standard: FSC BC-Regional Standard (Oct. 2005) Indicator 2.2.2
Note: Future audit teams should assess whether the guide-outfitter/commercial backcountry tenure	

holder/lodge owner in Lake Creek has provided free and informed consent to Tembec's planned harvesting and road construction and whether Tembec has implemented the agreed-to forest management practices.		
<input type="checkbox"/> Closed	<input checked="" type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
<p>2012 audit team response: Tembec and the guide-outfitter developed and signed a work plan on Oct. 5, 2011 to address the timing of harvest, road deactivation, maintenance of horse trails, and pulp harvest. During the audit, Canfor reported that the first two items of the work plan had been completed. Canfor left a message for the guide-outfitter requesting a field meeting so the parties could discuss the remaining items, however the guide-outfitter has not yet been available to meet. Generally, the guide-outfitter expressed frustration about the level of access that now surrounds his lodge, as there are multiple licences around the lodge. Lines of communication between the guide-outfitter and Canfor are still open, and additional time is required for the parties to complete the signed work plan. This Note remains open so future audit teams can review progress on the work plan, which is anticipated in the fall of 2012.</p>		

Note 03/11	Reference Standard: FSC BC-Regional Standard (Oct. 2005) Indicator 4.1.6	
Note: Future audit teams should monitor the trend in local procurement and explore causes if it continues to decline.		
<input checked="" type="checkbox"/> Closed	<input type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
<p>2012 audit team response: The 2011 Sustainability Report includes data on local procurement as part of Indicator 7.1. The data shows that local purchased goods/services tracked in the Maestro Accounting System (all transactions made by the Forest Resource Management and Forest Products Group) accounted for 69.29% of purchases in 2009, dropping to 50.19% in 2010, and increasing again in 2011 to 68.9%. Staff confirmed that the commitment to local purchasing has not changed so the cause for the drop in 2010 is unknown. Staff also confirmed that there have been no significant changes in local purchasing since the acquisition by Canfor.</p>		

Note 04/11	Reference Standard: FSC BC-Regional Standard (Oct. 2005) Indicator 4.4.3	
Note: Future audit teams should assess whether Tembec and the Sheep Creek residents agree to and Tembec implements steps to protect the interests of the group.		
<input type="checkbox"/> Closed	<input checked="" type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
<p>2012 audit team response: The audit team received a written submission from the Concerned Residents of Sheep Creek (CRSC) outlining several items of concern, and then reviewed these concerns with Canfor. A summary of each concern, along with the team's response follows below.</p> <p>1. Residents noted that Canfor mentioned mandatory public input has been removed under the current government legislation. The residents wondered how sincere the company is about meeting with them in the future.</p> <p>Team Finding: Public input is still required by legislation for Forest Stewardship Plans, but not operational plans. Regardless, FSC-BC Standard indicator 4.4.1 requires that a company "develops and implements a plan for ongoing public participation that accommodates the needs and preferences of directly affected persons". Canfor's public participation process is defined in the Tembec SFMP, which Canfor has committed to continue implementing until a new SFMP has been written. Canfor has told the audit team that it is fully committed to meeting all the FSC requirements. Canfor indicated that it would remind staff that there is a corporate commitment to fully meet FSC requirements. Canfor has demonstrated implementation of their public participation with the CRSC by: holding meetings and field trips to describe proposed harvest and road plan; soliciting information about how proposed plans might impact the group; and adjusting plans to reduce these impacts.</p> <p>2. The CRSC acknowledged that the planning department has spent considerable time working with them,</p>		

and commended the planners for many good practices. However, the CRSC also expressed concern that during personnel changes and transfers within the company, commitments that were made to them have not been passed on to the new personnel. Communication processes that were established have had to be re-established.

The CRSC noted that specific commitments made that have not been followed through on include:

- Being assured of notification when logging was to begin;
- Logging certain blocks in the winter
- Receiving an access plan for residents and recreationalists during operations; and
- Clean up of the Canal Pasture, or supplying updates on the area.

Further, the CRSC was concerned that information has not been proactively provided by the company.

Team Finding: Canfor acknowledged that a collaborative plan was developed with the CRSC. When the staff person responsible for development of this plan left the company, the plan was not passed on and development of a new plan began. When this error was raised (about 2 years ago), two staff were assigned as the point persons for communication with the CRSC and they have been working to re-establish the relationship.

On the specific concerns outlined above, Canfor provided a letter to the audit team, dated October 17, 2011, that had been emailed to the CRSC. In this letter:

- Canfor confirmed that winter logging was planned in 2011. However, this logging was dependant on mill requirements. The blocks discussed for winter logging (blocks 1-3) have not yet been logged.
- Canfor outlined that residents and recreationalists would have a way to communicate with the logging contractor in order to safely pass through active logging sites. When access was agreed upon, residents and recreationalists would be escorted through the setting by a company employee. Canfor reported that they had not yet had a request for access through an active site.
- Canfor summarized that they were seeking a salvage license for downed timber in Canal Pasture, and that the Ministry would be contacted about grass seeding. Since this update was provided, Canfor has proceeded with some seeding and has ripped some landings. The company acknowledged to the audit team that this new information has not yet been communicated to the CRSC.

As for notifying the CRSC prior to all logging, Canfor acknowledged that some notifications have been missed during the transition and company sale. After the transfer from Tembec, one of the priority systems that Canfor has implemented is the COPI database, which records all public input and ties it to the cutting permits. This system ensures that even if there is a personnel change, commitments associated with cutting permits will not be lost. The effectiveness of this system will be monitored by future audit teams.

3. Residents expressed concern about the delayed deactivation of a road in close proximity to private property. Canfor had planned to deactivate the road prior to the 2012 hunting season, but did not because slash piles have not yet been burned. Interested parties are concerned that keeping the road open from now until the Spring will become a safety hazard.

Team Finding: Canfor confirmed their intention to deactivate the road once harvesting was complete, but harvesting has not been completed. A short spur has been deactivated to keep people out of the area, but full deactivation cannot be done until harvesting is completed and the piles are burned.

4. Residents expressed concern about areas that have suffered machine damage down to mineral soil, and about very large slash piles.

Team Finding: Canfor was not specifically aware of where this machine damage might have taken place,

and the company had not received reports about this damage. Canfor's monitoring of operations in the area report that site degradation was all within the site plan limits. Canfor further noted that operations had been curtailed in the area due to wet weather. The audit team did not do field visits in this area during this audit, but a review of other operating areas did not reveal any site degradation issues. The CRSC are encouraged to provide details on this issue to the company

As for the slash piles, Canfor acknowledges that there are still piles that have not been burned. The company traditionally burns in the fall in order to give the piles 6 months to dry.

5. Residents expressed concern that some recreationalists are creating and pushing through their own roads in some areas.

Team Finding: Canfor was not specifically aware of where these unauthorized roads were, and the company had not received reports about the roads. The CRSC are encouraged to provide details on this issue to the company. NCR 01/12 has been issued in another section of this audit report requiring Canfor to implement measures to ensure that staff routinely report potential illegal vehicle use.

Summary:

The relationship between CRSC and the companies that historically held the tenure before Canfor has been difficult. However, considerable work was done by Tembec to build this relationship and improve communication. Over the past half year during the transition from Tembec to Canfor, the company acknowledges that communications have not been maintained at the desired level. Canfor has told the audit team that is it committed to continue working with the CRSC. As with any developing relationship, there is always room for improvement. The audit team finds that the efforts made to date by Canfor are consistent with the requirements of the Standard, and future audits will continue to monitor the Canfor/CRSC relationship to see how it develops now that the company transition is closer to completion.

This Note remains open, and the next audit team commits to meet with the CRSC in person during the 2013 annual audit.

Note 05/11	Reference Standard: FSC BC-Regional Standard (Oct. 2005) Indicator 4.4.3	
Note: Future audit teams should sample field sites in the Elk Valley to evaluate waste levels, road maintenance and access management, blowdown, the rate of current harvesting and potential impacts of the current harvest rates on the hydrology of the Elk River.		
<input checked="" type="checkbox"/> Closed	<input type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
2012 audit team response: The team visited 6 recent cutblocks in the Ewan, Todhunter, Chauncey and Dry Creek watersheds on the east side of the Elk River valley. All aspects of harvesting were assessed in these blocks including waste levels, road maintenance and access management, blowdown, and rates of harvest and potential impacts. In addition, wildlife features, HCVFs, riparian zones, wildlife tree patches, green tree and snag retention, avalanche tracks, skid trails and landing rehab, steep slopes, corridors and other practices related to conformity with FSC standards were assessed.		
All practices were in conformance with the requirements. Blowdown was observed in the buffer established adjacent to HCVF 3105c, Imperial Ridge Grasslands, and there was a normal amount of blowdown on residual stems in most of the blocks observed. There was no blowdown in buffers adjacent to avalanche tracks or HCVF 3105a, Chauncey Grasslands.		
Canfor continues to track equivalent clearcut areas (ECA) for the watersheds in which they are active. In the Ewan/Todhunter and Chauncey areas visited the ECAs are 12.7 and 7.3% respectively. The ECA for Dry Creek area is calculated to be 40.3%, partly as a result of past wildfire. The Dry Creek area has a large area of alpine and a hydrological review using a peak flow sensitivity indicator approach (PFSI)		

indicates "the level of harvest in Dry Creek is not a management issue". This is consistent with meeting Indicator 6.5.8.

The Note is closed.

Note 06/11	Reference Standard: FSC BC-Regional Standard (Oct. 2005) Indicator 6.3.10, 6.3.11, 6.3.12 and 6.3.13 to	
Note: The 2012 audit team should focus on reviewing indicators 6.3.10 to 6.3.13 in their annual assessment of Criterion 6.3. The focus is based on the 2011 audit teams lack of time to complete a thorough review of these indicators and not any indication Tembec has not satisfactorily addressed these indicators.		
<input checked="" type="checkbox"/> Closed	<input type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
2012 audit team response: Indicators 6.3.10 to 6.3.13 were reviewed in detail as part of the review of Criterion 6.3. As reported in Appendix IV, Canfor is in conformance with these indicators.		
The Note is closed.		

2.9. Notes for Future Audits

Four Notes for Future Audits are carried over from the 2011 audit.

Note 05/10	Reference Standard: FSC BC-Regional Standard (Oct. 2005) Indicator 9.3.2b	
Note for Future Annual Audits: Once the non-compliance issue regarding motorized use in HCVF 1113 has been resolved check to see that Tembec has investigated, with the MoFR, opportunities for access control measures that are consistent with the management strategy for HCVF 1113 and other tenure holder rights.		
<input type="checkbox"/> Closed	<input checked="" type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
2011 audit team response: The MFLNRO has not completed its investigation so this note remains open.		
2012 audit team response: The MFLNRO advised by e-mail that they have not yet completed this investigation. They have looked at the area with a biologist and are going to meet with the person who upgraded the trail. The Note remains open.		
2013 audit team response: PENDING		

Note 01/11	Reference Standard: FSC BC-Regional Standard (Oct. 2005) Indicator 2.2.2	
Note: Future audit teams should assess whether Tembec has implemented forest management practices as agreed to with the trapper in East Lussier Creek.		
<input type="checkbox"/> Closed	<input checked="" type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
2012 audit team response: The audit team spoke with staff who summarized that the trapper was seeking to have access maintained to the trapline. Tembec committed to not deter access to the trapline. The audit team also spoke with the trapper who expressed concern about the piles of log butts left on the main road going into the Top of the World, and questioned whether the piles would be burned. The trapper also expressed an interest in having a log put across the Lussier creek to replace the bridge that was removed.		
Canfor reported that part of the post-harvest reclamation has been done, but the full reclamation will not		

be complete until later this Fall. This Note remains open so the next audit team can review the completed reclamation activities and talk with the trapper to determine if the management practices were implemented as discussed between the parties.

2013 audit team response: PENDING

Note 02/11	Reference Standard: FSC BC-Regional Standard (Oct. 2005) Indicator 2.2.2	
Note: Future audit teams should assess whether the guide-outfitter/commercial backcountry tenure holder/lodge owner in Lake Creek has provided free and informed consent to Tembec's planned harvesting and road construction and whether Tembec has implemented the agreed-to forest management practices.		
<input type="checkbox"/> Closed	<input checked="" type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
2012 audit team response: Tembec and the guide-outfitter developed and signed a work plan on Oct. 5, 2011 to address the timing of harvest, road deactivation, maintenance of horse trails, and pulp harvest. During the audit, Canfor reported that the first two items of the work plan had been completed. Canfor left a message for the guide-outfitter requesting a field meeting so the parties could discuss the remaining items, however the guide-outfitter has not yet been available to meet. Generally, the guide-outfitter expressed frustration about the level of access that now surrounds his lodge, as there are multiple licences around the lodge. Lines of communication between the guide-outfitter and Canfor are still open, and additional time is required for the parties to complete the signed work plan. This Note remains open so future audit teams can review progress on the work plan, which is anticipated in the fall of 2012.		
2013 audit team response: PENDING		

Note 04/11	Reference Standard: FSC BC-Regional Standard (Oct. 2005) Indicator 4.4.3	
Note: Future audit teams should assess whether Tembec and the Sheep Creek residents agree to and Tembec implements steps to protect the interests of the group.		
<input type="checkbox"/> Closed	<input checked="" type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
2012 audit team response: The audit team received a written submission from the Concerned Residents of Sheep Creek (CRSC) outlining several items of concern, and then reviewed these concerns with Canfor. A summary of each concern, along with the team's response follows below.		
<p>1. Residents noted that Canfor mentioned mandatory public input has been removed under the current government legislation. The residents wondered how sincere the company is about meeting with them in the future.</p> <p>Team Finding: Public input is still required by legislation for Forest Stewardship Plans, but not operational plans. Regardless, FSC-BC Standard indicator 4.4.1 requires that a company "develops and implements a plan for ongoing public participation that accommodates the needs and preferences of directly affected persons". Canfor's public participation process is defined in the Tembec SFMP, which Canfor has committed to continue implementing until a new SFMP has been written. Canfor has told the audit team that it is fully committed to meeting all the FSC requirements. Canfor indicated that it would remind staff that there is a corporate commitment to fully meet FSC requirements. Canfor has demonstrated implementation of their public participation with the CRSC by: holding meetings and field trips to describe proposed harvest and road plan; soliciting information about how proposed plans might impact the group; and adjusting plans to reduce these impacts.</p> <p>2. The CRSC acknowledged that the planning department has spent considerable time working with them, and commended the planners for many good practices. However, the CRSC also expressed concern that during personnel changes and transfers within the company, commitments that were made to them have not been passed on to the new personnel. Communication processes that were established have had to be re-established.</p>		

The CRSC noted that specific commitments made that have not been followed through on include:

- Being assured of notification when logging was to begin;
- Logging certain blocks in the winter
- Receiving an access plan for residents and recreationalists during operations; and
- Clean up of the Canal Pasture, or supplying updates on the area.

Further, the CRSC was concerned that information has not been proactively provided by the company.

Team Finding: Canfor acknowledged that a collaborative plan was developed with the CRSC. When the staff person responsible for development of this plan left the company, the plan was not passed on and development of a new plan began. When this error was raised (about 2 years ago), two staff were assigned as the point persons for communication with the CRSC and they have been working to re-establish the relationship.

On the specific concerns outlined above, Canfor provided a letter to the audit team, dated October 17, 2011, that had been emailed to the CRSC. In this letter:

- Canfor confirmed that winter logging was planned in 2011. However, this logging was dependant on mill requirements. The blocks discussed for winter logging (blocks 1-3) have not yet been logged.
- Canfor outlined that residents and recreationalists would have a way to communicate with the logging contractor in order to safely pass through active logging sites. When access was agreed upon, residents and recreationalists would be escorted through the setting by a company employee. Canfor reported that they had not yet had a request for access through an active site.
- Canfor summarized that they were seeking a salvage license for downed timber in Canal Pasture, and that the Ministry would be contacted about grass seeding. Since this update was provided, Canfor has proceeded with some seeding and has ripped some landings. The company acknowledged to the audit team that this new information has not yet been communicated to the CRSC.

As for notifying the CRSC prior to all logging, Canfor acknowledged that some notifications have been missed during the transition and company sale. After the transfer from Tembec, one of the priority systems that Canfor has implemented is the COPI database, which records all public input and ties it to the cutting permits. This system ensures that even if there is a personnel change, commitments associated with cutting permits will not be lost. The effectiveness of this system will be monitored by future audit teams.

3. Residents expressed concern about the delayed deactivation of a road in close proximity to private property. Canfor had planned to deactivate the road prior to the 2012 hunting season, but did not because slash piles have not yet been burned. Interested parties are concerned that keeping the road open from now until the Spring will become a safety hazard.

Team Finding: Canfor confirmed their intention to deactivate the road once harvesting was complete, but harvesting has not been completed. A short spur has been deactivated to keep people out of the area, but full deactivation cannot be done until harvesting is completed and the piles are burned.

4. Residents expressed concern about areas that have suffered machine damage down to mineral soil, and about very large slash piles.

Team Finding: Canfor was not specifically aware of where this machine damage might have taken place, and the company had not received reports about this damage. Canfor's monitoring of operations in the area report that site degradation was all within the site plan limits. Canfor further noted that operations had been curtailed in the area due to wet weather. The audit team did not do field visits in this area during this audit, but a review of other operating areas did not reveal any site degradation issues. The CRSC are

encouraged to provide details on this issue to the company

As for the slash piles, Canfor acknowledges that there are still piles that have not been burned. The company traditionally burns in the fall in order to give the piles 6 months to dry.

5. Residents expressed concern that some recreationalists are creating and pushing through their own roads in some areas.

Team Finding: Canfor was not specifically aware of where these unauthorized roads were, and the company had not received reports about the roads. The CRSC are encouraged to provide details on this issue to the company. NCR 01/12 has been issued in another section of this audit report requiring Canfor to implement measures to ensure that staff routinely report potential illegal vehicle use.

Summary:

The relationship between CRSC and the companies that historically held the tenure before Canfor has been difficult. However, considerable work was done by Tembec to build this relationship and improve communication. Over the past half year during the transition from Tembec to Canfor, the company acknowledges that communications have not been maintained at the desired level. Canfor has told the audit team that it is committed to continue working with the CRSC. As with any developing relationship, there is always room for improvement. The audit team finds that the efforts made to date by Canfor are consistent with the requirements of the Standard, and future audits will continue to monitor the Canfor/CRSC relationship to see how it develops now that the company transition is closer to completion.

This Note remains open, and the next audit team commits to meet with the CRSC in person during the 2013 annual audit.

2013 audit team response: PENDING

3. AUDIT PROCESS

3.1. Auditors and qualifications

Auditor Name	Tawney Lem	Auditor role	Lead, First Nations Assessor
Qualifications:	Tawney Lem is an assessor focused on Indigenous and socio-economic issues. Since 2003, she has been contracted by Rainforest Alliance on over 50 assessments, re-assessments, annual audits and gap analyses in four provinces in Canada and the US. Tawney is an independent consultant in the areas of natural resource planning, and policy development and analysis, with clients from Indigenous groups, government, and the not-for-profit sector. Ms. Lem is a LEED Accredited Professional, has a bachelor's degree in Political Science from the University of British Columbia, and she has completed Rainforest Alliance's lead assessor training and ISO 9001 lead auditor training. She was a member on 10 previous pre-assessments, assessments and annual audits in the East Kootenays, including the 2009 re-assessment of this certificate and the 2010 annual audit team.		
Auditor Name	Keith Moore, RPF	Auditor role	Forester

Qualifications:	<p>Keith is a registered professional forester (RPF in BC) and has an M.A. in Geography. He has been working in forestland management and environmental assessment in Canada and other countries since 1976. From 1995 to 2000, Keith was the Chair of British Columbia's Forest Practices Board. Since 2000, he has been a team member or team leader with RA/SmartWood on over 70 different FSC assessments, annual audits and pre-condition verification audits in five provinces of Canada, in Russia, Australia, Indonesia, the US and Cameroon. He is very familiar with three of the regional FSC standards in Canada and has also been involved in the development of regional standards in Russia, Montenegro Kenya and Australia. He participated in the recent process to revise the FSC Principles and Criteria. He is an RA trained FSC Forest Management lead auditor and has ISO 9001 Lead Auditor certification. Keith has worked on 13 previous FSC pre-assessments, assessments and annual audits and CAR verification audits in the East Kootenays.</p>
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3.2. Audit schedule

Date	Location /Main sites	Principal Activities
Aug. 7 - 20	Auditor offices	Begin contact with First Nations and interested parties to arrange on-site interviews and conduct phone interviews. Evidence review.
Aug. 14	Auditor and Canfor offices	Field site selection call
Aug. 21	Canfor office and field	Morning – opening meeting, staff interviews (TL & KM) Afternoon – Staff interviews (TL), Field visit to Wildhorse Creek (KM)
Aug. 22	Off-site and field	Off-site interviews with interested parties (TL) Field visit to Ewan/Todhunter in Elk Valley (KM)
Aug. 23	Canfor office	Additional staff interviews, document review and closing meeting (TL & KM) Close of evidence submittals
Aug. 24 – Sept. 5	Auditor offices	Evidence review and report writing
Sept. 6 – 18	Auditor and RA offices	First draft of report completed by Rainforest Alliance
Sept. 19	RA and Canfor offices	First draft of report sent to Canfor for review and comment
Sept. 25	Canfor and RA offices	Canfor review comments on first draft sent to RA
Sept. 28	RA and Canfor offices	RA revisions to draft report and completion of full audit report (re-submitted to Canfor)
Oct. 5	Canfor offices	Canfor approval of final report
Oct. 9	RA offices	RA completes final version of audit report
Total number of person days used for the audit: 14.0 = number of auditors participating 2.0 X average number of days spent in preparation, on site and post site visit follow-up including stakeholder consultation		

3.3. Sampling methodology

A sample of blocks logged between 2010 and 2012 were reviewed during one and a half days of field work. The cutblocks were selected from a list of all harvest blocks in this time period provided by Canfor. The 2011 annual audit report included a note that field work should be undertaken in the Elk River valley. Thus, one full day of field work was planned to view blocks in four different watersheds in this location – Todhunter Creek, Ewan Creek, Chauncey Creek and Dry Creek – which is a two hour drive from Cranbrook. For the half day of fieldwork, blocks were selected in Wildhorse Creek because they are at lower elevations and on drier sites than in the Elk River Valley, and are closer to Cranbrook.

A total of 11 cut block were viewed and an estimated 50 km of road providing access into and within these blocks were inspected.

These blocks provide a sample of practices in three different biogeoclimatic zones, and include blocks in steep terrain that were cable yarded using a clearcut silviculture system, and blocks on gentler terrain that were conventionally logged using ground-based yarding equipment and a clearcut with reserves silvicultural system.

Six blocks were in the Englemann Spruce Sub-alpine Fir (ESSF) zone; 3 were in the Interior Douglas-Fir (IDF) zone; and 2 were in the Montane Spruce (MS) zone.

Four blocks were cable yarding with a clearcut system; 3 were conventional yarding with a clearcut with reserves system; and 4 blocks had a mix of both systems.

These blocks also provide a very good representation of all the types of practices undertaken by Canfor and many different types of environmental features that are addressed. The blocks included measures for protection of wildlife features, High HCVF, riparian zones, wildlife tree patches, stand level retention. Roads, site disturbance and waste levels were assessed within the blocks. The blocks were logged by several different contractors and are within the two Canfor administrative areas within the certified areas.

3.4. Interested Party consultation process

Canfor provided the team with a broad list of contact information for First Nations, tenure holders, contractors, and interested persons/organizations. This information is maintained in Canfor's COPI database. Starting three weeks prior to the commencement of the on-site portion of the audit the audit team phoned and/or emailed: all of the First Nations contacts; persons/organizations associated with the outstanding Notes for Future Audits and criteria being audited; and persons who had made a complaint to the company within the past year. In a few instances, the contact names and numbers for relevant persons/organizations were not received until the field portion of the audit. Contact in these cases was made at the earliest time possible.

Some in-person interviews were conducted, and many interviews were conducted over the phone or through email exchanges. The team made multiple efforts via phone and email to reach First Nations and interested parties, however communications were not returned by a few of the parties.

Stakeholder type (i.e. NGO, government, local inhabitant etc.)	Persons notified (#)	Persons consulted or providing input (#)
First Nations	11	2
Tenure and use rights holders	5	5
Government and regulatory bodies	6	5
Consultant	1	1
Residents	7	7

3.5. Changes to Certification Standards

Forest stewardship standard used in audit:	FSC-BC Regional Standards (October 2005)
Revisions to the standard since the last audit:	<input checked="" type="checkbox"/> No changes to standard. <input type="checkbox"/> Standard was changed (detail changes below)
Changes in standard:	N/A
Implications for FME:	Not applicable - no new requirements

3.6. Review of FME Documentation and required records

a) All certificate types

Required Records	Reviewed
Complaints received by FME from stakeholders, actions taken, follow up communication	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
<p>Comments: Canfor provided a list of complaints that have been submitted to the company in the past year. Complaints are recorded in the COPI (Creating Opportunities for Public Involvement) database, actions are tracked, and any resulting commitments are attached in the system to associated cutting permits to ensure follow through.</p> <p><i>Dust Control on Broadway Rd and Elko Rd.</i></p> <p>Several residents expressed concern about the negative effects of dust from the logging road on their properties. Canfor has since applied calcium-magnesium to Elko Rd. to control the dust, and has closed Broadway Rd. The audit team reviewed these areas on the Canfor GIS system and neither is located within the certified area. Therefore, this issue is outside of the scope of the audit.</p> <p><i>Dust Control on River Rd. and Bloom Rd.</i></p> <p>Several residents expressed concern about the negative effects of dust from logging roads on residential properties. One resident was not satisfied with the length of time that it took for the issue to be dealt with, but Canfor has applied calcium-magnesium to control the dust. The issue of dust control is one that residents report is a repeated issue year after year. There is evidence that Canfor addresses dust when the issue is raised, but addressing dust control in areas that weren't planned for treatment can delay the mitigation of residents' concerns. Observation 01/12 has been written for Canfor to consider developing a plan to address dust control.</p> <p><i>Road Maintenance near Parson</i></p> <p>One resident expressed concern about poor road maintenance on the logging road off of the Parson highway. In particular, the concern was that Canfor was only maintaining the road when they were using the road to access their operations.</p> <p>Canfor stopped operations in the area at break-up, and will not be operating in TFL 14 until the Radium mill starts up in October. As a Forest Service Road, Canfor's responsibility is to maintain the road to operational standards. Therefore the responsibility for maintenance starts when operations start.</p> <p>The audit reviewed this stretch of road on the Canfor GIS system, and it is not located within the certified area. Therefore, this issue is outside of the scope of the audit.</p> <p><i>Ecosystem Restoration Logging Debris in Skookumchuk Non-Replaceable Forest Licence (NRFL)</i></p> <p>A tenure holder expressed concern about on-going logging / chipping operations in Skookumchuk Pasture. The tenure holder was concerned about how much Coarse Woody Debris was left behind and that it would be difficult for quads and horses to get through.</p> <p>The audit team reviewed Canfor documentation that showed a field tour with the individual and a second tenure holder had been held. The documentation noted that in between the time that the concern was expressed and the field tour, additional restoration work has taken place and the tenure holder noted that the area looked better than before. The tenure holder also expressed an interest in terms of which roads would be closed/decommissioned and which roads would be left open. Further, they wanted to see Canfor repair/replace the fences that the company had damaged/removed.</p>	

The audit team spoke with both of the tenure holders involved. One of the tenure holders noted that communication to date with Canfor was very good. The other tenure holder said that the fences had not yet been fixed. This tenure holder also thought that the stumps along the roadside were going to be chipped, or alternately, burned.

Canfor stated that their plan is to complete all fencing repairs within the next 10 days. One or two fences may need to come down in October to complete skidding operations, but they will be put back up immediately. As for the stumps, Canfor's plan is to dispose of them by burying them when deactivation commences.

Communication between the parties is continuing. Canfor's actions on this matter are consistent with the requirements of indicator 2.2.2.

Accident records

Y N

Comments: The accident records for both Tembec (pre-acquisition) and Canfor (post-acquisition) were reviewed. Records are kept for both employees and contractors. Records show the incident investigation report as well as follow-up (when required). Canfor recently celebrated a year without a recordable medical incident for all of their employees across BC. Canfor's tracking shows that the year-to-date medical aid rate is higher than their target, however the number is still within the range considered to be "low".

Training records

Y N

Comments: Canfor provided a print-out dated Aug. 9, 2012 of the staff training records. The records showed that WHMIS and S100A Basic Fire Suppression training for numerous staff had expired in the previous year. The clerk responsible for maintenance of training records said that all staff training had been brought up to date during Spring training. However, as a result of the acquisition, Tembec data had to be brought into the Canfor system, and the clerk had to learn the new system. Records are gradually being updated. Since training records are reviewed every year, the next audit team will confirm that staff training records have been fully updated.

Prior to signing a contract, contractors must demonstrate that their employees have the required training for the job. Canfor's Contractor Safety Guidelines require that contractor's document their training process. As summarized in Note 04/10 in Section 2.8 of this report, there is evidence that the safety program (including the requirement for training documentation) of one contractor was not functioning and NCR 02/12 has been issued.

Operational plan(s) for next twelve months

Y N

Comments: Canfor plans a very active logging and road construction schedule for the next twelve months at full capacity. All three mills – Radium, Canal Flats and Elko – will be operating. New areas of logging will be opened up in the middle Flathead River valley and in operating areas obtained in 2010 from Galloway.

Canfor will be introducing a new "short log" system for transporting logs on trucks and is requiring contractors to re-fit trucks to accommodate this system.

Canfor will be initiating a review of its HCVF areas and the management systems in place for each of the currently identified HCVF areas. This is part of a five year update of the original HCVF assessments and is expected to result in improved locations and mapping of the HCVFs and refined and improved management strategies. Effectiveness monitoring will continue.

Canfor will also be revising the 2005-2012 sustainable forest management in the fall of 2012 and spring of 2013, and undertaking a review of the high conservation value forest identification and management in the same time period. Both of these revisions processes require engagement with a range of interested groups and individuals.

Inventory records	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
<p>Comments: Site level inventories and assessments were reviewed in each of the cutblocks visited. These types of assessments are on-going in areas planned for future logging activities. As described in previous annual audits and assessments, Canfor has a very complete set of inventories and assessments.</p>	
Harvesting records	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
<p>Comments: The records of recent past harvesting were provided to the team and reviewed. Documents providing the 2011 levels of harvest in each of the different tenures were also provided and reviewed. These are described in Criterion 5.6.</p>	

APPENDIX I: FSC Annual Audit Reporting Form

(NOTE: form to be prepared by the client prior to audit, information verified by audit team)

Forest management enterprise information:			
FME legal name:	Canadian Forest Products Ltd		
FME Certificate Code:	SW-FM/CoC – 001348		
Reporting period	Previous 12 month period	Dates	

1. Scope Of Certificate			
Type of certificate: single FMU	SLIMF Certificate: not applicable		
New FMUs added since previous evaluation	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	
Group Certificate: N/A			
Multi-FMU Certificate: List of new FMUs added to the certificate scope:			
FMU Name/Description	Area	Forest Type	Location Latitude/Longitude ¹
	ha		
	ha		
	ha		

2. FME Information	
<input checked="" type="checkbox"/> No changes since previous report (if no changes since previous report leave section blank)	
Forest zone	
Certified Area under Forest Type	
- Natural	hectares
- Plantation	hectares
Stream sides and water bodies	Linear Kilometers

3. Forest Area Classification	
<input checked="" type="checkbox"/> No changes since previous report (if no changes since previous report leave section blank)	
Total certified area (land base)	ha
1. Total forest area	ha
a. Total production forest area	ha
b. Total non-productive forest area (no harvesting)	ha
- Protected forest area (strict reserves)	ha
- Areas protected from timber harvesting and managed only for NTFPs or services	ha
- Remaining non-productive forest	ha
2. Total non-forest area (e.g., water bodies, wetlands, fields, rocky outcrops, etc.)	ha

4. High Conservation Values identified via formal HCV assessment by the FME and respective areas			
<input type="checkbox"/> No changes since previous report (if no changes since previous report leave section blank)			
Code	HCV TYPES ²	Description:	Area

¹ The center point of a contiguous FMU or group of dispersed properties that together comprise a FMU in latitude and longitude decimal degrees with a maximum of 5 decimals.

² The HCV classification and numbering follows the ProForest HCVF toolkit. The toolkit also provides additional explanation regarding the categories. Toolkit is available at <http://hcvnetwork.org/library/global-hcv-toolkits>.

HCV1	Forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).	Throughout	548,077 ha
HCV2	Forest areas containing globally, regionally or nationally significant large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.	Throughout	184,978 ha
HCV3	Forest areas that are in or contain rare, threatened or endangered ecosystems.	Throughout	32,865 ha
HCV4	Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control).	Throughout	190,960 ha
HCV5 and 6	Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health) AND Forest areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).	Throughout	78,227 ha
Number of sites significant to indigenous people and local communities			

Notes:

- 1) The areas for each HCV category overlap with each other, for example, the area for HCV 1 includes many of the HCVFs in categories 2-6. Thus, the total area is not additive and should not be used to calculate the percentage of the certified area in HCVFs.
- 2) HCV 5 and 6 area combined because they were not separately identified by First Nations during the identification process, and Canfor does not want to presume which HCVFs fall into which category.

5. Workers

Number of workers including employees, part-time and seasonal workers: This total includes management group workers and contractors in the Kootenay operations.

Total number of workers	312 workers	
- Of total workers listed above	284 Male	28 Female
Number of serious accidents	10	
Number of fatalities	0	

6. Pesticide Use

FME does not use pesticides. (delete rows below)

APPENDIX II: List of visited sites (confidential)

FMU or other Location	Compartment/ Area	Site description / Audit Focus and Rationale for selection
Region 1, Wildhorse Ck	CP 488, Blk 149	MS zone, mix of cable and conventional and clearcut and clearcut with reserves. Stand level retention and wildlife tree patches. Road maintenance and skid trail rehabilitation. Soil disturbance. Buffer on red tail hawk nest. Buffers on streams.
Region 1, Wildhorse Creek	CP 488, Blk 148	MS zone, cable clearcut. Stand level retention and wildlife tree patches. Road maintenance and skid trail rehabilitation. Soil disturbance.
Region 1, Wildhorse Creek	CP 488, Blk 151	IDF zone, cable clearcut. Stand level retention and wildlife tree patches. Road maintenance and skid trail rehabilitation. Soil disturbance. Protection of identified historical sites. Waste levels.
Region 1, Wildhorse Creek	CP 488, Blk 153	IDF zone, mix of cable and conventional and clearcut and clearcut with reserves. Stand level retention and wildlife tree patches. Road maintenance and skid trail rehabilitation. Soil disturbance.
Region 1, Wildhorse Creek	CP 488, Blk 155	IDF zone, cable clearcut. Stand level retention and wildlife tree patches. Road maintenance and skid trail rehabilitation. Soil disturbance.
Region 2, Todhunter Creek	CP 549, Blk 157	ESSF zone, conventional clearcut with reserves. Stand level retention and wildlife tree patches. Road maintenance and skid trail rehabilitation. Buffers on avalanche tracks, HCVF and Goshawk nest. Waste levels.
Region 2, Todhunter Creek	CP 549, Blk 152	ESSF zone, cable clearcut. Stand level retention and wildlife tree patches. Road maintenance and skid trail rehabilitation. Buffers on avalanche tracks, and HCVF.
Region 2, Chauncey Creek	CP 526, Blk 001	ESSF zone, conventional clearcut with reserves. Stand level retention and wildlife tree patches. Road maintenance and skid trail rehabilitation. Buffers on avalanche tracks and HCVF. Access management.
Region 2, Ewan Creek	CP 549, Blk 002	ESSF zone, mix of cable and conventional and clearcut clearcut with reserves. Stand level retention and wildlife tree patches. Road maintenance and skid trail rehabilitation. Buffers on stream. Waste levels. Steep slopes and terrain assessment.
Region 2, Ewan Creek	CP 549, Blk 151	ESSF zone, conventional clearcut with reserves. Stand level retention and wildlife tree patches. Road maintenance and skid trail rehabilitation. Buffers on streams. Access management.
Region 2, Dry Creek	CP 547, Blk 009	ESSF zone, mix of cable and conventional and clearcut and clearcut with reserves. Stand level retention and wildlife tree patches. Road maintenance and skid trail rehabilitation. Buffers on stream. Waste levels. Access management.

APPENDIX III: List of Interested Parties consulted (confidential)

List of FME Staff Consulted

Name	Title	Contact	Type of Participation
Baird, Peter	Planning Manager	Peter.Baird@canfor.com	Phone interview
Breton, Chris	Clerk	250-349-5294 x102	Phone interview
Drader, Steve	Operations Supervisor	250-529-7211 x226	Field
Driscoll, Geordie	Forestry Supervisor	250-349-5294 x103	Interview
Frasca, Paul	Operations Supervisor	250-349-5294 x130	Phone interview
Freeze, Paul	Forestry Supervisor	250-529-7211 x246	Field
Hatalcik, John	Log Purchase & Residual Fibre	250-426-9282	Interview
Havens, Lloyd	Operations Superintendent	250-529-7211 x216	Interview
McCuaig, Andy	Tenure Manager	250-426-9209	Interview, Field
Mercer, Leigh	Sr. Woodlands Accountant	250-426-9231	Interview
Messerli, Adrian	Forestry Supervisor	250-349-5294 x108	Phone interview
Neville, Grant	First Nations & Planning Coordinator	250-426-9252	Interview
Marra, Jack	Sr. Operations Supervisor	250-529-7211 x224	Phone interview, Field
Pope, Bruce	WIM Analyst	250-426-9364	Interview
Pounder, Mark		Mark.Pounder@canfor.com	Phone interview
Stagg, Chris	Chief Forester	250-426-9247	Interview
Streloff, Ken	Forestry Supervisor	250-349-5294 x124 250-529-7211 x225	Interview
Stuart-Smith, Kari	Forest Scientist	250-426-9380	Interview
Tamelin, Darren	Forestry Coordinator	250-347-6111	Phone interview
Von den Steinen, Tyson	FMS & Safety Coordinator	Tyson.Vondensteinen@canfor.com	Phone interview

APPENDIX IV: Forest management standard conformance (confidential)

The table below demonstrates conformance or nonconformance with the Forest Stewardship Standard used for evaluation as required by FSC. The Rainforest Alliance Task Manager should provide guidance on which sections of the standard should be evaluated in a particular audit. Rainforest Alliance may evaluate only a subset of the criteria or principles of the standard in any one particular audit provided that the FME is evaluated against the entire standard by the end of the certificate duration. Findings of conformance or nonconformance at the criterion level will be documented in the following table with a reference to an applicable NCR or OBS. The nonconformance and NCR is also summarized in a NCR table in Section 2.4. All nonconformances identified are described on the level of criterion though reference to the specific indicator shall be noted. Criteria not evaluated are identified with a NE.

P & C	Conformance: Yes/No/ NE	Findings	NCR OBS (#)
Principle 1: COMPLIANCE WITH LAWS AND FSC PRINCIPLES			
1.5	NO	<p>Previous assessments and annual audits have found Canfor (formerly Tembec) in conformance with this Criterion. During this annual audit, field work identified one situation where Canfor does not appear to have clear “measures” in place for the reporting of specific illegal activities within the Elk and Flathead Valleys in the certified area.</p> <p>There are a total of 14 legally designated Access Management Areas (AMAs) within Canfor operating areas in the Elk and Flathead river valleys. In these AMAs vehicle use (cars, trucks, quads, motorcycles or snowmobiles) for any purpose is illegal, unless the operator has a permit, within time periods specified in the designation of the AMA and identified on signs on the roads. In the upper ends of watersheds where Canfor has cutblocks in the Elk River Valley, vehicle access is prohibited, without a permit, either at any time of the year or within a 10 month period from Sept 1 to June 15. Thus, a significant amount of the Canfor roads in the upper watershed areas are either completely closed to unpermitted vehicle access or are closed for most of the year. Canfor staff reported that they occasionally, but not infrequently, encounter vehicles within these closed areas in the course of their field inspections and are aware that illegal vehicle use on these roads in the closed areas is of significant concern to the BC Ministry of Environment Conservation Officer Service (COS) enforcement staff. The COS and many interest groups and environmental NGOs consider that vehicle access management is one of the most important enforcement and wildlife management issues in the Kootenays. As an indication of the extent and significance of this issue, the COS has a designated officer working full-time within the AMAs. She is the only officer in the province with this specific role.</p> <p>During the field work for this audit, a vehicle was encountered within a closed area in the Todhunter watershed. Canfor staff did record the licence plate number of the vehicle and did provide the information to the Conservation Officer working on access</p>	NCR 01/12

		<p>management issues. The COS office in Fernie told the team that they have received occasional reports from Canfor (former Tembec) staff over the years but reports have been less common in recent years.</p> <p>At the time of the encounter during the audit, the Canfor staff present seemed unclear about whether there were operating procedures or guidance or expectations from Canfor that required that they report this potentially illegal situation. Based on further review following the field work, there does not appear to be any Canfor operational guidance to staff that requires the reporting of encounters with motorized vehicles that appear to be in areas that are closed to un-permitted vehicle use for any purpose. The Tembec Nonconformity & Corrective and Preventive Action SOP Tembec BCF-F452.01– v. 5) does not address illegal activities. Based on the comments from all parties it appears very likely that Canfor staff encounter vehicles fairly regularly within the closed areas of the AMAs but do not always report them to the COS.</p> <p>The COS would welcome assistance from Canfor staff in the reporting of vehicles that appear to be within the closed areas and is prepared to work with Canfor to set up a reporting system.</p> <p>NCR 01/12 is issued. RA does not expect Canfor to take on any “enforcement” or “active protection” role whatsoever. RA is aware that Canfor takes a number of measures, including installing gates and barriers to close roads, and in 2012 made a \$5000 donation to support the regional Access Guardian Program to assist in supporting the vehicle closure laws in the AMAs.</p> <p>The NCR addresses the lack of guidance to staff about reporting procedures to be followed when apparent illegal activity is encountered in the course of daily activities. This is the type of guidance suggested in Verifiers 1.5.1 (i) and 1.5.1 (iii) which refer to “reporting systems” and “reports”. It addresses the specific issue of illegal vehicles in closed AMA areas but could address a range of other potentially illegal activities within the DFA.</p>	
Principle 2. TENURE AND USE RIGHTS AND RESPONSIBILITIES			
2.3	Yes	<p>As defined in the FSC BC Standard, a “dispute” exists when consultative avenues have been exhausted and a party gives written notice to the manager indicating that they wish to pursue a dispute resolution process.</p> <p>Three issues regarding rights holders were made known to the audit team</p> <ul style="list-style-type: none"> ▪ Concerns of a guide outfitter / commercial recreation tenure holder in the Lake Creek area (CP 327) related to harvest timing, roads and horse trails; ▪ Concerns of a trapper (CP 333) related to maintaining access to a trapline; and ▪ Concerns of a rancher about logging debris in the Skookumchuk NRFL related to maintaining access to watering stations. <p>In the first two cases, commitments have been made to the rights</p>	N/A

		<p>holders, and implementation of these commitments was still in process at the time of the audit. In the third case, the rancher indicated that actions were taken that adequately addressed their concerns.</p> <p>Through discussions with staff and rights holders, there does not appear to be any disputes as per the definition of disputes in the FSC BC Standard.</p> <p>Canfor also identified other concerns expressed by interested parties that were not tenure and use rights holders, and these are discussed in Criterion 4.4</p> <p>Tembec had a document titled “Management of Company-wide External Requests and Complaints: Environmental or Health and Safety” that outlined the requirements for receiving, managing and recording complaints. An appeal process was included if the proposed action to address the complaint was not considered adequate by the disputant. This dispute resolution is referenced in the Tembec SFMP, which is still being utilized and implemented by Canfor.</p> <p>This Criterion continues to be met.</p>	
Principle 3. INDIGENOUS PEOPLES' RIGHTS			
3.1	Yes	<p>Recognition and respect of Ktunaxa Nation Council's (KNC) rights has been demonstrated through the development and implementation of a protocol agreement that addresses consultation, employment and other interests. A protocol had been in place for several years between Tembec and the KNC, which fully met the requirements of the FSC BC Standard.</p> <p>With the acquisition of Tembec's tenures by Canfor, Tembec retained their protocol with KNC, and the existing protocol will continue to apply to Tembec's pulpmill. Canfor therefore needed to develop their own protocol with the KNC. Both parties have confirmed that the protocol development is well underway, and that the parties are pleased with the discussions to date. The parties have also confirmed that the content of the protocol will be similar to the one between Tembec and the KNC, and therefore should also fulfill the requirements of the FSC BC Standard. Completion of the protocol is anticipated for this fall.</p> <p>In the interim while the protocol is being developed, Canfor and the KNC have agreed in principle to continue information sharing in the same manner as Tembec and KNC had (e.g. using the consultation matrix). This agreement-in-principle will remain in effect until the protocol is finalized between KNC and Canfor. While the protocol is not yet signed, the parties are continuing to conduct their interactions consistent with the requirements of the FSC BC Standard. Therefore, this Criterion continues to be met.</p>	N/A
3.2	Yes	<p>In March 2012, a Cultural and Conservation Value Forests (CCVF) project was completed by the KNC and Tembec that identified environmental and cultural values of importance to the communities of Tobacco Plains, St. Mary's and Akisqnuq. CCVF identification was</p>	N/A

		<p>completed for the Yaqan Nukiy in previous years.</p> <p>The CCVF project identifies resource use related interests (e.g. fishing and hunting spots, key areas for animal habitat), as well as management prescriptions to ensure these interests are protected. CCVF data has been entered into the Canfor system and resides as a map layer to be incorporated into future planning. A monitoring program for new CCVFs will be developed in the coming year.</p> <p>The KNC did not express any concerns about resource use rights being diminished. This Criterion continues to be met.</p>	
3.3	Yes	<p>The CCVF project outlined above in Criterion 3.2 also identifies special sites (e.g. archaeological sites, story areas). Similarly, management prescriptions have been developed to ensure these sites have been protected.</p> <p>In addition to the CCVF's, Canfor staff indicated that there is no change in how archaeological sites will be identified or surveyed, compared to Tembec's practices which conformed with the Standard.</p> <p>The Tembec SFMP includes an indicator related to sites and activities of special significance to First Nations. This SFMP continues to be implemented by Canfor.</p> <p>The KNC did not express any concerns about resource use rights being diminished. This Criterion continues to be met.</p>	N/A
3.4	N/A	<p>The KNC have not shared any traditional knowledge with Canfor that would require compensation. Therefore, this criterion is not applicable.</p>	N/A
Principle 4. COMMUNITY RELATIONS AND WORKERS' RIGHTS			
4.2	No	<p>Canfor has a comprehensive occupational health and safety program in place for employees. The audit team reviewed the program which includes objectives and targets, and addresses legislation, regulations, staff and contractor responsibilities, committee, hazard identification, risk assessment, control measures, training, communication protocols, incident investigation, emergency response, inspections, records, program certification, contractor selection, standard work procedures, and various policies.</p> <p>The program also includes specific safety standards and guidelines for contractors, and all contractors must be SAFE certified. Contractors must develop their own safety plan, which is reviewed when contractors are selected. Canfor conducts pre-work sessions with contractors, and utilizes a Contractor Safety Checklist to conduct regular site visits while operations are underway.</p> <p>Canfor has conducted a gap analysis between its safety program and Tembec's, and is conducting training as needed to transition staff to the Canfor OH&S program.</p> <p>There is evidence that aspects of the safety program are being implemented (e.g. employee training, company led safety meetings,</p>	NCR 02/12

		<p>hazard assessment of the new cut-to-length hauling). However, a 2011 WorkSafe BC investigation report found that a fatality occurred where a worker did not follow best safety practices, and the worker's employer (a Tembec contractor) contractor had not fully implemented its safety program. With contractors holding the status of prime contractor, it is critical that they ensure full implementation of their programs. The FSC-BC Standard requires that "the manager" (Canfor) "develops and implements" a safety program for all forest workers, so there is a requirement for Canfor for be checking on contractor program implementation. NCR 02/12 has been issued.</p> <p>Safety records and the Sustainability Report were reviewed. Statistics are maintained for both employees and contractors. Records show a consistent number of incidents over the past five years and that the company continues to maintain a low accident frequency rate.</p>	
4.4	YES	<p>The 2009 re-assessment report described Tembec's public consultation practices, including their Public Participation Strategy, which is part of the 2005 SFMP. Canfor is implementing this SFMP, and their practices of engaging the public and taking steps to protect the rights or interests of directly affected persons continues to meet the requirements of the FSC-BC Standard.</p> <p>Canfor maintains their COPI database, which tracks inquiries or concerns expressed by interested parties. The audit team reviewed several issues raised by interested parties, and these items are addressed above in Sections 2.8 and 3.6.</p> <p>Observation 01/12 has been written as addressed above in Sections 2.7 and 3.6 related to planning for dust control.</p>	OBS 01/12
Principle 5. BENEFITS FROM THE FOREST			
5.6	YES	<p>For this annual audit, RA requested that Canfor undertake an analysis to re-calculate the projected long-term rate of timber that can be sustained from the defined forest area within the certificate. The long-term rates had been individually determined in 2008 or earlier for each of the five units that are now within this single certificate – TFL 14 near Parsons, the Invermere operating area in the Invermere TSA, the East Kootenay operating area within the Cranbrook TSA, the East Kootenay operating area within the Kootenay Lake TSA and MF 72 near Canal Flats. Those long-term rates were determined in response to CARs that were imposed at the time of certification of the individual units.</p> <p>Since the initial certification of the individual units and closure of the CARs, there have been changes in the land area included within three of the five units. The changes involve reductions in the area of MF 72, an increase in the operating area in the Cranbrook TSA, and a reduction in the operating area in the Invermere TSA. The re-calculation was necessary to address those additions and reductions from the defined forest area and to identify the area currently included within the certified area (referred to as the Tembec legacy certificate landbase).</p>	

		<p>In addition, since the five units are now combined in a single certificate, it was necessary to identify a single projected long-term rate of harvest unit that can be sustained from the area currently within the certified area.</p> <p>Finally, it was necessary to identify the volume harvested under all forest harvesting tenures from this certified area in 2011, and compare that harvest level to the projected long-term rate.</p> <p>The re-calculation of the certified area and the indication of the projected long-term harvest rate from the certified area was prepared for Canfor by Forsite Consultants and is based on timber supply analysis work done by Forsite over several years. The re-calculation is presented in a report titled "Tembec Legacy DFA – Assessing Sustainable Harvest Levels, September 2012, Project 1182-1" with regard to the Invermere, Cranbrook and Kootenay Lake areas. In addition, Canfor provided "Timber Supply Analysis Information Package, Version 2.1, April 25, 2007" in regard to TFL 14, and provided an e-mail with information related to the area reduction in MF 72 and the projected long-term rate from this Managed Forest.</p> <p>Based on this re-calculation, the defined forest area within the certificate (made up of 5 units), reported by Canfor, is 1,194,301 hectares.</p> <p>The projected long-term sustainable rate of harvest from this certified area is 1,019,914 m3 per year.</p> <p>The actual harvest from the certified area in the 2011 cut control period was 1,246,842 m3. Canfor provided documentation to confirm the calculation of this actual harvest from the certified area in 2011. This actual harvest was cut under a total of 8 tenures – the tree farm license tenure (TFL 14), three long-term replaceable forest licenses (FLs A-18978, A-19040, A-20212) and four non-replaceable forest licenses (NRFLs A-81368, A-81369, A80321 and A88226). There was no harvest in 2011 from MF 72.</p> <p>The 2011 annual harvest is 22.25 % above the projected long-term rate for the certified area. Thus, the 2011 harvest complies with Indicator 5.6.6 which states that the "actual rate ... in any given year is no more than 25% above the projected long-term harvest rate".</p>	
Principle 6. ENVIRONMENTAL IMPACT			
6.2	YES	<p>Canfor was found to be in full conformance with criterion 6.2 in the 2009 assessment and in the 2010 and 2011. Since then Canfor continues to implement the programs and procedures necessary to protect species at risk. In this audit period, work has included completion of a pamphlet on best management practices for Northern Goshawk, revised management strategies for badgers based on an analysis of the efficacy of past badger den identification and management strategies, implementation of new Grizzly Bear guidance from the provincial government, surveys for Williamson's sapsuckers and delivery of updated training presentations on species at risk to contactors.</p>	N/A

		<p>Forty new Wildlife Habitat Areas (WHA) were legally approved by the provincial government and came into effect within Tembec's operating area. These include important habitat for Gillette's Checkerspot butterfly, Western Screech Owl, and Williamson's Sapsucker (<i>nataliae</i> subspecies), as well as good examples of the Antelope-Brush/Bluebunch Wheatgrass and Douglas-fir/Snowberry/Balsamroot plant communities. These WHAs are automatically designated Category 1 HCVFs and provide important habitat for threatened or endangered species.</p> <p>This criterion continues to be met.</p>	
6.3	YES	<p>As suggested above by Note 06/11, Indicator 6.3.10, 6.3.11, 6.3.12 and 6.3.13 were reviewed in some detail in this annual audit.</p> <p>Indicator 6.3.10 requires maintenance of a distribution of seral stages, patch sizes and interior forest habitats compatible with the range of natural variability. Canfor reports conformity with the targets established in the 2005 – 2010 SMFP to meet these requirements in the annual Sustainability Reports.</p> <p>The 2011 Sustainability Report covering the period up to September 2011 reports that targets for old seral stages and crown closure classes are either met or exceeded, or where not met are trending toward historic levels and are within the range of natural variability (RONV). The target for early seral stages is not currently being met. However, an analysis of the predicted effects of climate change reveals that the amount of early seral stands in the East Kootenay will likely increase over the next 25-100 years due to increasing fire frequency and severity and increased insect and disease outbreaks associated with climate change. Regeneration of forests in drier areas may be more difficult due to droughts and high temperatures, which may extend the number of years a site is in an early seral stage and assist in meeting the early seral stage targets consistent with RONV. Canfor developed an early seral strategy in 2009 to address the early seral stage deficits and this will be incorporated into the revisions to the 2005 – 2010 SFMP.</p> <p>The 2011 Sustainability Report (and previous reports) address the distribution of patch sizes and interior habitats. Results are variable, with some landscape units meeting the specified distributions of patches, others with too many small patches, and others with too many large ones. However, the landscape unit analysis units are considered too small for proper analysis of fragmentation and patch size. A new approach to patch size distribution will be developed in the revision to the 2005-2010 SFMP.</p> <p>Canfor's annual reporting and its performance to meet the targets established in the SFMP conform with Indicator 6.3.10.</p> <p>The measures for wildlife or landscape connectivity (Indicator 6.3.11) are achieved through HCVF linkages especially the grizzly bear linkage HCVFs, and riparian corridors. These linkages were evident in the fieldwork conducted during this annual audit in the upper Elk River watershed. Old forest mapping is completed and old growth management areas have been established to provide for</p>	OBS 02/12

	<p>corridors and linkages. Indicator 6.3.11 is met.</p> <p>Access management (Indicator 6.3.12) is one of the most difficult and controversial management practices in the East Kootenay. Canfor removes bridges and blocks access to road systems in many locations in the East Kootenay operations. In addition, gates have been installed on several roads where those are legally feasible, for example, in accordance with the Southern Rocky Mountain Management Plan covering watersheds in the Elk, Flathead, Wigwam and Bull river areas. However, in many situations some access is required to be maintained after logging for fire protection and silviculture activities and for other permitted user groups. Canfor is actively seeking to limit the number of access points into watersheds and in the Upper Elk watershed, is working on a plan that will limit access to four access points, which will be gated with government locks. During the field work, locations where Canfor had removed access or had plans to do so were viewed. Although more access management measures would be desirable to meet non-timber objectives, Canfor implements measures as can reasonably be expected and meets Indicator 6.3.12. NCR 01/12 is imposed to address a non-conformity with Indicator 1.5.1 in regard to reporting potential illegal vehicle use in Access Management Areas.</p> <p>Canfor implements a variety of measures to protect unique ecosystems, features and non-forested sites (Indicator 6.3.13). During the field work, the auditor observed measures to protect grasslands, avalanche tracks, goshawk and red-tailed hawk nests and coyote dens, as well as historical mining trenches and workings. Special features within the management area are fully identified and protected. Indicator 6.1.13 is met.</p> <p>Other indicators in Criterion 6.3 were also reviewed.</p> <p>The only area identified as in need of restoration has been the Rocky Mountain Trench. Restoration activities are continuing and now exceed 1500 ha. Work has continued on protecting badger habitat within these restoration areas. Indicator 6.3.1 is met.</p> <p>Based on field observations during this audit, Canfor continues to conform to the requirements for regeneration and succession (6.3.2 to 6.3.7).</p> <p>The 2011 Sustainability report provides information on retention levels of live trees, snags and coarse woody debris within cutblock areas. As in previous Sustainability Reports, the number of dominant and co-dominant green trees retained within cutblocks is reported to meet the minimum requirements set out in Indicator 6.3.9. In 2011 all 164 cutblocks logged in the period meet the requirements when green trees and snags are considered together. However, for snags alone, only about 75% of the cutblocks appear to have sufficient retention of snags to meet the requirement that 25% of the retained trees be snags. These conclusions are based on an analysis of plans and based on the planned retention levels and wildlife tree patches. Field observations indicate the number of trees actually retained is highly variable, depending on the original stand, and on the way the prescription for tree retention is written in</p>	
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		<p>the site plan. There is no actual measurement, post-harvest, of what actually remains on site following logging. Visual estimates indicate that the number of trees retained, within harvested areas, and within the patches and reserves within the cutblocks easily exceeds the minimum requirements of Indicator 6.3.9. However, in the absence of any data, the team recommends that work should be undertaken to actually measure the retention of dominant and co-dominant green trees and snags in a representative sample of blocks including different biogeoclimate subzones, harvest methods (cable and conventional) and silvicultural systems (clearcut and clearcut with reserves). Observation 02/12 is recorded.</p> <p>Site disturbance (Indicators 6.3.14 – 6.3.15) was reviewed during the field work. Canfor reclaims all skid trails within blocks and site disturbance is minimal. No fertilizers (Indicators 6.3.16-6.3.17) are used.</p> <p>Criterion 6.3 continues to be met.</p>	
6.9	YES	<p>As reported in previous assessments and audits Canfor has not introduced any exotic plant or animal species to the certified area.</p> <p>This audit confirmed that Canfor continues to use a mix of grass seed for erosion control and site rehabilitation that has been specifically developed to meet this FSC Criterion. The mix includes only species that are long naturalized to the East Kootenay area and are considered non-invasive.</p> <p>This criterion continues to be met.</p>	N/A
Principle 7. MANAGEMENT PLAN			
7.1	YES	<p>The forest management plan for the DFA is the Tembec “Sustainable Forest Management Plan 2005 – 2010”. The term of the plan was extended until October 2012 by memo from Tembec’s chief forester dated June 17, 2011. Canfor told the audit team that their management of the DFA will follow this management plan and that the term of the SFMP will be extended again upon the expiry of the current extension in October. Canfor has initiated work to revise and update this Sustainable Forest Management Plan to fully reflect current management. Canfor anticipates that a new SFMP will be completed by the fall of 2012 (or prior to the next annual audit).</p> <p>This core document has not changed since 2005, but many additional supplemental strategies have been developed since 2005 up to the present. These include the riparian management strategies, early seral stage strategy, the high value snag strategies, additional or refined wildlife and species at risk management strategies for northern goshawks, badgers, grizzly bears and other species. HCVF management strategies have also been refined. In 2012, the process to identify cultural sites of High Conservation Value was completed.</p> <p>The SFMP and the various additions and amendments have been reviewed in past annual audits and the 2009 re-assessment and were found to fully meet the requirements of Criterion 7.1. The planned revision has been delayed, but the 2005-2010 SFMP along with the on-going additions, amendments and improvements</p>	N/A

		continues to meet all the indicators in this Criterion.	
7.2	YES	<p>A revision to the SFMP (2005-2010) has been initiated. New management strategies, refinements and improvements to the plan (for example wildlife management strategies, a high value snag strategy, and HCVF strategies) have been made on an on-going basis since 2005.</p> <p>This criterion continues to be met.</p>	N/A
7.3	YES	<p>Observations of plan implementation in the field, interviews with employees and review of training records indicate that Canfor provides adequate training and supervision.</p> <p>This criterion continues to be met.</p>	N/A
7.4	YES	<p>The SFMP (2005 to 2010) and the supplementary documents are available to the public upon request. Canfor is aware that public review of the revised SFMP anticipated in 2013 will be required.</p> <p>This criterion continues to be met.</p>	N/A
Principle 8. MONITORING AND ASSESSMENT			
8.2	YES	<p>In the 2009 re-assessment the assessment team found that Tembec was in full conformance with Criteria 8.2. Since the re-assessment Canfor continues to monitor all of the values required by this criterion. This includes annual harvest, growth and yield, changes in flora and fauna (through the HCVF effectiveness monitoring), environmental and social impacts and cost and efficiency of production. Since the 2009 assessment Canfor has enhanced its HCVF monitoring program as reported for Criterion 9.4 and undertaken additional monitoring in regard to the changes in fauna and flora.</p> <p>Canfor also provided the annual 2011 Sustainability report, which assesses performance to meet the targets set out in the 2005-2010 SFMP for environmental and socio economic objectives.</p> <p>This criterion continues to be met.</p>	N/A
Principle 9. MAINTENANCE OF HIGH CONSERVATION VALUE FORESTS			
9.4	YES	<p>Canfor's program to monitor the effectiveness of the measures employed to maintain or enhance high conservation values covers a total of 35 different indicators for 30 high conservation value attributes. The program is described in detail in the June 2011 Effectiveness Monitoring report. An essential part of the effectiveness monitoring is the annual reporting of monitoring results based on this program. In addition, Canfor provides an annual HCVF status report showing any activities that occurred within any identified HCVFs in the DFA over the course of the year. The effectiveness monitoring program was reviewed in detail in the 2011 annual audit report and meets the indicators in Criterion 9.4.</p> <p>In the 2011-2012 audit period, Canfor continued monitoring of effectiveness in accordance with the planned program outlined in the 2011 Effectiveness Monitoring Report. The status of each HCVF is</p>	

		<p>reported in the 2011 Status Report covering the period October 1, 2010 through September 30, 2011. The effectiveness of the strategies is reported in the 2011 Effectiveness Monitoring Annual Report covering the same period.</p> <p>New data was collected to address 6 of the 30 high conservation values being monitored. For three of these indicators, (high value grizzly bear habitat, high value badger habitat and water quality), data indicates that the strategies are effectively achieving the management objectives. For one (williamson's sapsucker) the data is still insufficient. For one (riparian areas), the data indicates that the strategies provide improved protection compared to pre-FSC strategies but there are still issues with blowdown and stream sedimentation. For the final indicator, (caribou habitat) the data indicates that strategies to protect habitat are considered effective. The decline in caribou populations has been halted but population recovery is not evident and will likely require transplantation of caribou and predator control, both of which are out of Canfor's areas of responsibility.</p> <p>Overall, the 2011 report evaluates the effectiveness in regard to the 35 indicators as follows – strategies are considered effective for 10 of the indicators; data is still insufficient for 25 of the indicators, but there are no indicators of concern at the present time; and strategies are not currently effective for 1 indicator – cariboo population.</p> <p>Work to develop a monitoring program for the completed cultural HCV sites was initiated in the audit period.</p> <p>This criterion continues to be met.</p>	
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APPENDIX V: Chain-of-Custody Conformance (confidential)

Note: This CoC Appendix is used for FMEs only selling standing timber, stumpage, logs, chips and/or non-timber forest products (NTFPs) produced within a FMU covered by the scope of the certificate. FME certificate scopes that include primary or secondary processing facilities shall include an evaluation against the full FSC CoC standard: FSC-STD-40-004. Refer to that separate report Appendix.

Note: From the time of the 2011 Annual Audit until the acquisition of Tembec's licences by Canfor, Tembec's CoC systems were the same as reported in the 2011 Annual Audit report and therefore were in full conformance with the CoC Standard. The table below therefore provides information on Canfor's CoC system.

Definition of Forest Gate: (check all that apply)

<input type="checkbox"/>	Standing Tree/Stump: FME sells standing timber via stumpage sales.
<input type="checkbox"/>	The Log Landing: FME sells wood from the landing/yarding area.
<input type="checkbox"/>	On-site Concentration Yard: Transfer of ownership occurs at a concentration yard under the control of the FME.
<input checked="" type="checkbox"/>	Off-site Mill/Log Yard: Transfer of ownership occurs when offloaded at purchaser's facility.
<input type="checkbox"/>	Other: <i>explanation</i>
<p>Comments: Canfor transports virtually all wood from its operating areas to either the Canfor sawmill in Canal Flats or the Canfor sawmill at Elko. A small volume of logs and chips are presently being transported directly to a site located at the Tembec Skookumchuck pulp mill for chipping or grinding. The mills are where wood is scaled and ownership transfers. These three sites receive and scale almost all of the wood from the certified forest. A small amount of wood is sold to other non-Canfor purchasers in round log form. Most of this wood is also delivered first to the Canfor mills for scaling, but occasionally loads of logs are delivered direct to those purchasers and are scaled at their designated scale sites.</p>	

Scope Definition of CoC Certificate:

<p>Does the FME further process material before transfer at forest gate? (If yes then processing must be evaluated to full CoC checklist for CoC standard FSC-STD-40-004 v2.)</p> <p>Note: This does not apply to on-site production of chips/biomass from wood harvested from the evaluated forest area.</p>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
<p>Comments: Chips are produced on site, but for the purposes of this indicator, there is no "further processing".</p>	
<p>Is the FME a large scale operation (>10,000 hectares) or a Group Certificate? (If yes then CoC procedures for all relevant CoC criteria shall be documented.)</p>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
<p>Comments: Canfor is a large operation. It is not a group certificate.</p>	
<p>Does non-FSC certified material enter the scope of this certificate prior to the forest gate, resulting in a risk of contamination with wood from the evaluated forest area (e.g. FME owns/manages both FSC certified and non-FSC certified FMUs)?</p>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
<p>Comments: No non-certified wood enters the scope of the certificate prior to the forest gates. Canfor does have non-FSC certified forests but these all have different timber marks and cutting permit numbers, which identify them as non-certified. The provincial regulations and Canfor's internal tracking systems ensure that this non-certified wood does not enter the scope of this certificate. There are also other licensees on Canfor's operating areas (i.e. NRFLs held by First Nations). This wood is also certified, and carries separate timber marks which again can be clearly identified as coming from the certified forest. There is no risk of contamination. Wood from the non-certified forests arrives at the same forest gates but has different timber marks.</p>	

Does FME outsource handling or processing of FSC certified material to subcontractors (i.e. milling or concentration yards) prior to transfer of ownership at the forest gate? <i>(If yes a finding is required for criterion CoC 7 below.)</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Comments: All log handling and log transport operations are conducted by contractors and subcontractors associated with Canfor. No logs are milled prior to transfer of ownership. In the case of some chips, on-site chippers are subcontracted to chip material prior to delivery to the pulp mill. These subcontractors are included under the scope of the Tembec's FM/COC certificate as per SmartWood document CoC-12 (April 2002). This practice of on-site chipping is slated to end by September 2012.	
Does FME purchase certified wood from other FSC certificate holders and plan to sell that material as FSC certified? <i>(If yes then a separate CoC certificate is required that includes a full evaluation of the operation against FSC-STD-40-004 v2.)</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Comments: Canfor does not purchase and sell non-certified wood under the scope of this FM/COC certificate. This is addressed in CoC certificates associated with the mills.	
Does FME use FSC and/or Rainforest Alliance trademarks for promotion or product labeling? <i>(If FME does not or has no plans to use FSC/RA trademarks delete trademark criteria checklist below.)</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Comments: Canfor does not presently use FSC or Rainforest trademarks for promotion of product labeling of the logs and chips covered by this FM/CoC certificate. In the past, the FSC logo had been used by Tembec with approval on specific products from their mills under the CoC certificates. However, products are no longer being stamped with the FSC logo.	

Annual Sales Information

Total Sales/ Turnover	\$76, 280, 826US\$
Volume of certified product sold as FSC certified (i.e. FSC claim on sales documentation) (previous calendar year)	1, 370, 971 m3
Value of certified product sold as FSC certified (i.e. FSC claim on sales documentation) (previous calendar year)	\$65, 710, 640 US\$

Chain-of-Custody Criteria *[FM-35 SmartWood Chain-of-Custody Standard for Forest Management Enterprises (FMEs)]*

1. Quality Management	
COC 1.1: FME shall define the personnel/position(s) responsible for implementing the CoC control system.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: Canfor's FSC Chain of Custody Documented Control System (Dated April 13, 2012) identifies the positions responsible for the CoC aspect of the FM certification in section 2.1. Canfor's Sawmill FSC Multi-site CoC Coordinator is accountable for all FSC certified sites in the Kootenay region. At the site level, the CoC Site Coordinator is responsible.	
COC 1.2: All relevant staff shall demonstrate awareness of the FME's procedures and competence in implementing the FME's CoC control system.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: Canfor staff are familiar with the requirements for the FM chain of custody. These are relatively simple because procedures follow BC timber marking and log transport requirements. Procedures are thoroughly described in the DCS (dated April 13, 2012). Training requirements are also included in the DCS, section 2.4.	

<p>CoC 1.3: FME procedures/work instructions shall provide effective control of FSC certified forest products from standing timber until ownership is transferred at the forest gate. <i>Note: For large scale operations (>10,000ha) and Group Managers, CoC procedures covering all relevant CoC criteria shall be documented.</i> Including:</p> <p>a) Procedures for physical segregation and identification of FSC certified from non-FSC certified material. (If applicable)</p> <p>b) Procedures to ensure that non-FSC certified material is not represented as FSC certified on sales and shipping documentation. (If applicable)</p> <p>c) Procedures to include FME FSC certificate registration code and FSC claim (FSC Pure) on all sales and shipping documentation for sales of FSC certified products.</p> <p>d) Recordkeeping procedures to ensure that all applicable records related to the production and sales of FSC certified products (e.g. harvest summaries, sales summaries, invoices, bills of lading) are maintained for a minimum of 5 years.</p> <p>e) Procedures to ensure compliance with all applicable FSC/Rainforest Alliance/SmartWood trademark use requirements.</p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p>
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Findings: Canfor provided a documented control system (DCS, dated April 13, 2012) that describes the chain-of-custody procedures for the flow of wood from the forest to the forest gate (sawmills and pulp mill) in detail. These procedures are consistent with the CoC procedures in place at the mill sites. The DCS describes how wood logged in the Canfor certified forests is tracked from logging phase, through log transport to the log scale location. Procedures at each step are described. Regarding the requirements above:

FSC and Controlled material are not physically segregated. However, their identity is tracked in Canfor's Logs Production Module database and is identifiable through stamp-hammer marks and/or spray-painted timber marks and therefore mixing load sources does not occur.

N/A: Ownership does not change until the wood product is scaled at the forest gate. Every load is individually tracked through a well documented, monitored and audited system which contain information about the forest, the cutblock of origin (including approval date and number) and a geographical reference for the cut block. A Load Description Slip (LDS) accompanies each log of logs or chips until they are delivered to a scale at one of the sites where ownership transfers.

Since the Load Description Slips are official documents (non-FSC certified organization), these documents do not include the FSC claim and the certification code. However, the LDS include information about the forest, the cutblock of origin (including approval date and number) as a means to identify the FSC-certified FMU. In addition, all wood coming from Canfor's operating areas within the certified forest is FSC Pure, so there can be no confusion regarding the FSC claim of the wood.

Record keeping procedures are established. These are thoroughly described in the DCS (dated April 13, 2012) in Sections 2.5 and 3.2.1b.

Canfor does not apply on-product labels to the products (logs and chips) covered by this FM/CoC certificate. Procedures for the promotional use of the FSC and RA trademarks are described in the corporate office FSC trademarks use documented control system (dated March 29, 2012) and referenced in the CoC DCS.

<p>2. Certified Material Handling and Segregation</p>	
<p>COC 2.1: FME shall have a CoC control system in place to prevent the mixing of non-FSC certified materials with FSC certified forest products from the evaluated forest area, including:</p> <p>a) Physical segregation and identification of FSC certified from non-FSC certified material.</p> <p>b) A system to ensure that non-FSC certified material is not represented as FSC</p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/></p>

certified on sales and shipping documentation. Note: If no outside wood is handled by FME within scope of certificate, mark as N/A.	
Findings: FSC and non-FSC material are not physically segregated. However, their identity is tracked in Canfor's Logs Production Module database and is identifiable through stamp-hammer marks and/or spray-painted timber marks and therefore mixing load sources does not occur.	
CoC 2.2: FME shall identify the sales system(s) or "Forest Gate", for each FSC certified product covered by the Chain of Custody system: i.e. standing stock; sale from log yard in the forest; sale at the buyer's gate; sale from a log concentration yard, etc.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: The 'Forest Gate' for FSC certified logs and chips is the scales at Canfor's two sawmill sites and the Tembec pulp mill chipper site. Occasionally, log scale occurs at other wood purchaser sites. These mills and sites are not within the forest and are not included in the scope of this FM/COC certificate.	
CoC 2.3: FME shall have a system that ensures that FME products are reliably identified as FSC certified (e.g. through documentation or marking system) at the forest gate.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: The timber marks and Load Description Slips that accompany each load of wood from the forest to the forest gate identify the forest of origin. All material coming from Canfor's certified forest is FSC Pure.	
CoC 2.4: FME shall ensure that certified material is not mixed with non-FSC certified material at any stage, up to and including the sale of the material. Note: If no outside wood is handled by FME within scope of certificate, mark as N/A.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
Findings: FSC and non-FSC material are not physically segregated. However, their identity is tracked in Canfor's Logs Production Module database and is identifiable through stamp-hammer marks and/or spray-painted timber marks and therefore mixing load sources does not occur.	

3. Certified Sales and Recordkeeping	
COC 3.1: For material sold with FSC claim the FME shall include the following information on sales and shipping documentation: a) FME FSC certificate registration code, and b) FSC certified claim: FSC Pure	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: Since the Load Description Slips are official documents (non-FSC certified organization), these documents do not include the FSC claim and Canfor's certification code. However, the LDS include information about the forest, the cutblock of origin (including approval date and number) as a means to identify the FSC-certified forest. In addition, all wood coming from Canfor's certified forest is FSC Pure, so there can be no confusion regarding the FSC claim of the wood.	
CoC 3.2: FME shall maintain certification production and sales related documents (e.g. harvest summaries, invoices, bills of lading) for a minimum of 5 years. Documents shall be kept in a central location and/or are easily available for inspection during audits.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: The production from Canfor's certified forest area is tracked. This is required for payment of stumpage to the provincial government. The volume of wood sold to each non-Canfor purchaser is also tracked. Procedures for record keeping are described in the DCS (dated April 13, 2012) in Section 2.5, which also states that records will be kept for 5 years. All Tembec documents have been retained by Tembec, so Canfor only has CoC records starting at the time of their acquisition. However, Tembec continues to retain all CoC documents.	
CoC 3.3: FME shall compile an annual report on FSC certified sales for SmartWood	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

containing monthly sales in terms of volume of each FSC certified product sold to each customer.	
Findings: Canfor can provide reports of production and the destinations of the production upon request. This is described in Section 2.5 of the DCS.	

4. Outsourcing	
CoC 4.1: FME control system shall ensure that CoC procedures are followed at subcontracted facilities for outsourcing and FME shall collect signed outsourcing agreements covering all applicable FSC outsourcing requirements per FSC--40-004 v-2.0 <i>FSC Standard for Chain of Custody</i> November 2007. Note 1: If FME outsources processing or handling of FSC certified material the outsourcing report appendix is required. Note 2: Check N/A If FME does not outsource processing or handling of FSC material.	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>
Findings: There is no outsourcing.	

5. FSC/Rainforest Alliance Trademark (TMK) Use Criteria

Standard Requirement: The following section summarizes the FME's compliance with FSC and Rainforest Alliance trademark requirements. Trademarks include the Forest Stewardship Council and Rainforest Alliance/SmartWood names, acronyms (FSC), logos, labels, and seals. This checklist is directly based on the FSC labeling standard (FSC-STD-40-201 <i>FSC on-product labeling requirements</i> (version 2.0) and FSC-TMK-50-201 V1-0 <i>FSC Requirements for the Promotional Use of the FSC Trademarks by FSC Certificate Holders</i> . References to the specific FSC document and requirement numbers are included in parenthesis at the end of each requirement. (Rainforest Alliance Certified Seal = RAC seal).	
General	
COC 5.1: FME shall have procedures in place that ensure all on-product and off product FSC/Rainforest Alliance trademark use follows the applicable policies:	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: Section 6.1 of Canfor's DCS (dated April 13, 2009) defines who is responsible for using FSC trademarks, and references the requirement to comply with the requirements of the corporate "FSC Trademarks use documented system" for obtaining necessary approvals for on-product labeling and promotional use of FSC and RA trademarks. Currently, Canfor is not labeling any of their products from their mills. Promotionally, the only use of the FSC logo is on two signs in the TFL 14 operating area. Proper permissions were received for this logo use.	
COC 5.2: FME shall have procedures in place and demonstrate submission of all FSC/Rainforest Alliance/SmartWood claims to SmartWood for review and approval prior to use, including: a) On-product use of the FSC label/RAC seal; b) Promotional (off-product) claims that include the FSC trademarks ("Forest Stewardship Council", "FSC", checkmark tree logo) and/or the Rainforest Alliance/SmartWood trademarks (names and seal)(50-201,2.3).	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: Canfor's DCS (dated April 13, 2012) references procedures in the corporate office FSC trademarks use documented control system (dated March 29, 2012). This latter document sets out procedures on and off product labeling in methodology section. There have been only two uses of the FSC/Rainforest Alliance/SmartWood logos during the life of the certificate. Tembec obtained permission for use of the FSC logo on the two signs in TFL 14.	

COC 5.3: FME shall have procedures in place and demonstrates that all trademark review and approval correspondence with SmartWood is kept on file for a minimum of 5 years (40-201, 1.10; 50-201, 2.4):	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
<p>Findings: Canfor's DCS (dated April 13, 2012), part 6, sets out procedures for submission of any proposed use of trademarks to RA for approval. This section states that the sawmills will "keep records of approvals" but does not state for how long. The corporate office DCS does state that records related to the approval for trademark use will be retained for at least 5 years. The Canfor Forest Management Group did not have ready access to the corporate office DCS, therefore there is an opportunity to ensure that all of the detail contained within the corporate office DCS is also contained in the CoC DCS.</p> <p>Observation CoC 03/12: Canfor should consider including the same level of detail in the CoC DCS as is found in the corporate office trademark use DCS.</p>	

<p>Off-product / Promotional <input checked="" type="checkbox"/> Check if section not applicable (FME does not, and does not plan to use the FSC trademarks off-product or in promotional pieces) Note: promotional use items include advertisements, brochures, web pages, catalogues, press releases, tradeshow booths, stationary templates, corporate promotional items (e.g., t-shirts, cups, hats, gifts). When applicable to the FME's promotional/off-product use of the trademarks, the criteria below shall be met:</p>		Yes <input type="checkbox"/> No <input type="checkbox"/>
<p>Findings: No off-product or promotional use is planned. Canfor's corporate office DCS (dated March 29, 2012) has procedures for submission of any planned promotional use of the FSC/RAC trademarks for approval.</p>		
COC 5.4: If the FSC trademarks are used for promotion of FMUs, FME shall limit promotion to FMUs covered by the scope of the certificate.		
COC 5.5: In cases that the Rainforest Alliance trademarks are used (50-201, 13.1, 13.2): a) The FSC trademarks shall not be at a disadvantage (e.g., smaller size); b) The FSC checkmark tree logo shall be included when the RAC seal is in place.		
COC 5.6: In cases that the FSC trademarks are used with the trademarks (logos, names, and identifying marks) of other forestry verification schemes (SFI, PEFC, etc.), SmartWood approval shall be in place (50-201, 3.0).		
COC 5.7: Use of the FSC trademarks in promotion of the FME's FSC certification shall not imply certain aspects are included which are outside the scope of the certificate (50-201, 1.6).		
COC 5.8: Use of the FSC trademarks on stationery templates (including letterhead, business cards, envelopes, invoices, paper pads) shall be approved by SmartWood to ensure correct usage (50-201, 12.0).		
COC 5.9: In cases that the FSC trademarks are used as part of a product name, domain name, and/or FME name, SmartWood approval shall be in place (50-201, 9.0, 10.0).		

<p>On-product <input checked="" type="checkbox"/> Check if section not applicable (FME does not, and does not plan to apply FSC labels on product)</p>	
<p>COC 5.10: FME shall have a secure system in place for labeling products that ensures the following (40-201, 1.2): a) Only those products originating from forests covered by the scope of a valid FSC certificate are FSC-labeled; b) Only those products that meet the eligibility requirements per CoC standard requirements for FSC-labeling are FSC-labeled; c) Only the FSC Pure label is used.</p>	Yes <input type="checkbox"/> No <input type="checkbox"/>
<p>Findings: Canfor does not label logs or chips coming from the certified forests, and is no longer using on-product labels on some products from its mills.</p>	
When applicable to the FME's on-product labeling, the criteria below shall be met:	Yes <input type="checkbox"/> No <input type="checkbox"/>

Findings: There is no on-product labelling of logs or chips coming from the certified forest.

COC 5.11: FME shall not use the FSC labels together with the logos or names of other forestry verification schemes (40-201, 1.11, 1.13).

COC 5.12: FME shall not use the FSC labels together with claims referring to the sustainability of the forest from which the wood is sourced (40-201, 1.11, 1.13).

COC 5.13: The FSC label shall be applied to products in such a way that it is clearly visible (40-201, 1.14).

APPENDIX VI: Rainforest Alliance Database Update Form (confidential)

Instructions: For each FSC certificate, Rainforest Alliance is required to upload important summary information about each certificate to the FSC database (FSC-Info). During each annual audit RA auditors should work with the certificate holder to verify that the information posted on FSC-Info is up to date as follows:

1. Print out current Fact Sheet prior to audit from FSC-Info website or direct link to fact sheets (<http://www.fsc-info.org>)
2. Review information with the FME to verify all fields are accurate.
3. If changes are required (corrections, additions or deletions), **note only the changes** to the database information in the section below.
4. The changes identified to this form will be used by the RA office to update the FSC database.

Is the FSC database accurate and up-to-date? YES NO
(if yes, leave section below blank)

Client Information (contact info for FSC website listings)

Organization name	Canadian Forest Products Ltd.		
Primary Contact	Chris Stagg	Title	Chief Forester, BC
Primary Address	1000 Industrial Rd. #1	Telephone	250-426-6247
Address	Box 2200	Fax	250-426-5372
Email	chris.stagg@canfor.com	Webpage	www.canfor.com

Forests

Change to Group Certificate	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Change in # of parcels in group	total members
Total certified area		Hectares (or)	Acres

Species (note if item to be added or deleted)

Scientific name	Common name	Add/Delete

Products

FSC Product categories added to the FM/CoC scope (FSC-STD-40-004a)		
Level 1	Level 2	Species

APPENDIX VII: FME Map

